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NEWS SUMMARY

GENERAL

Health strike: troops on alert

Police and troops were put on standby in case health workers fail to maintain emergency cover during today's 24-hour strike.

The strike is set to be the biggest, so far, by Health Service unions over their pay claim, and the Army Medical Corps may be used to keep emergency services going.

Yorkshire miners have pledged action in support of the health workers and 66,000 pitmen from the county plan to picket hospitals, with the promise that this will be orderly. Page 12

Diplomat slain

Turkish diplomat Erkut Akbay, 40, was killed by a gunman in an attack near Lisbon. His wife was seriously wounded.

Capital taken

Rebel forces lead by Chad's former defence minister Hissene Habre occupied the country's capital N'Djamena, meeting little resistance. Page 4

Asylum sought

Mozambique's national director of security George Costa, was reported to have sought political asylum in South Africa.

Flood kills 240

Deaths in flooding in Indonesia's South Sumatra province total 240, province governor Sainan Sagiman said. About 3,000 people are homeless.

Storm havoc

At least 18 people died as a storm swept through the north-eastern U.S. Eleven inches of rain fell and torrents of water surged through towns.

Factory blast

An explosion wrecking a fireworks factory on the Chinese island of Hainan killed 17 and injured 24.

Pit deaths

Four Polish miners were killed in a cave at the Victoria mine, in southern Poland. Two others are missing. It was the second fatal accident at the pit in two months.

Shift refusal

British Airways cabin staff will today refuse to work a recently-introduced shift pattern, which they say is dangerous to their health and potentially hazardous to passengers. Page 12

Peak conquered

Three British climbers have scaled 26,398 ft Mount Xixabangma in the Himalayas. The ascent included a 10,000 ft verticle climb of what is said to be the world's biggest unscaled face.

Crane protest

Two anti-nuclear protesters climbed a 150 ft crane in Barrow docks, Cumbria in a move to halt operations by British Nuclear Fuels.

Play triumph

The Life and Adventures of Nicholas Nickleby, an 8½-hour British play, won four Tonys—the Broadway equivalent to Oscars—in New York.

Greenwood plea

England soccer manager Ron Greenwood appealed to England supporters going to the World Cup finals to behave themselves.

Briefly . . .

Whisky worth £40,000 was destroyed in a railway wagon fire at Coventry.

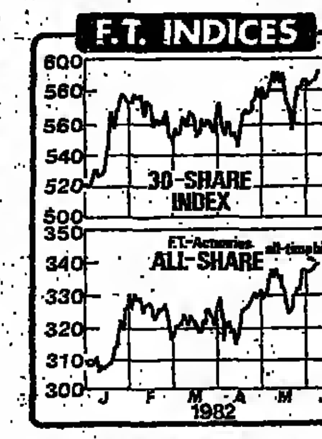
Earthquake measuring 6.5 on the Richter Scale shook Mexico.

Bus overturned in eastern Zimbabwe, killing 14 people.

BUSINESS

Actuaries indices hit new peaks

● EQUITIES: the FT 30-share index closed 4.8 up at 592.6, within five points of its all-time record. The FT Actuaries three main indices attained best-ever peaks, the All-Share rising 0.5 per cent to 339.26. Page 35



● GILTS: the Government Securities Index gained 0.24 for an 11-day advance of 2.37 to 70.4—its highest since March 20, 1981. Page 35

● WALL STREET was 1.62 up at 806.5 near the close. Page 34

● STERLING closed in London at $1.792, a fall of 40 points since Friday. It rose to DM 4.27 (DM 4.235), SwFr 3.64 (SwFr 3.625) and FFr 11.1075 (FFr 11.045). Its trade-weighted index was 90.9 (90.6). Page 36

● DOLLAR rose to DM 2.382 (DM 2.356), SwFr 2.03 (SwFr 2.0225) and Y245.75 (Y243.75). Its trade-weighted index was 115.9 (115.2). Page 36

● GOLD rose $5.75 in London to close at $324.375. In New York the Comex June close was $337 ($317.6). Page 30

● UK CURRENT ACCOUNT surplus on the balance of trade fell to £553m in the first quarter of this year, compared with £1.36bn in the last three months of 1981. Back Page

● NUR SECRETARY Sid Weighell said he would make a pay deal with British Rail separate from train drivers' union Aslef. Back Page; plan to raise private sector finance for Victoria-Gatwick rail link, Back Page

● BP IS SELLING its 15 per cent stake in the North Sea's Beatrice field to Lasmo (London and Scottish Marine Oil) for £75m. Page 10

● BRITISH STEEL Corporation is considering closing one of its five main production sites. Back Page

● ICL made a pre-tax loss of £13.5m (£33.8m) for the six months to March 31 and expects to return to profit for the year as a whole. Back Page

● METAL BOX reported second half pre-tax profits of £21.5m (£9.24m). Page 22; Lex, Back Page

● REED INTERNATIONAL increased taxable profits by £21.2m to £171.6m for the 53 weeks to April 3, despite a sharp downturn in the newspaper division. Page 22; Lex, Back Page

● ICI AUSTRALIA reported a 10.5 per cent drop in after-tax operating profits to A$17m (£9.98m) for the six months to March 31. Page 33

● MONTEDISON SPA, the holding company for the giant Italian chemical concern, more than doubled its losses last year to L598bn (£244m). Page 32

● WE APOLOGISE to readers who did not receive the FT yesterday because of production problems. We are repeating the prospectus for Argyll Foods, starting on Paga 24.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Treasury 12% 1987	£96¼	+ ¾
Treasury 15¼% 1998	£114⅝	+ ⅞
Boustead	65	+ 6
C.A.S.E.	303	+ 23
Consultants	177	+ 9
Dunlop	71	+ 4
Fisons	363	+ 13
GEC	954	+ 9
Glaxo	717	+ 10
Grand Met. 'New'	56pm	+ 6
Hawker Siddeley	346	+ 6
Hunting Gibson	118xd	+ 17
Low (Wm.)	192	+ 6
Metal Box	168	+ 16
Minet	202	+ 6
Muirhead	152	+ 6
Plessey	455	+ 10
Rothmans	94	+ 5
Royal Insurance	347	+ 12
Shiloh Spinners	20	+ 5
Sidlaw	180	+ 9
Utd. Scientific	400	+ 15
Whatman Reeve Angel	305	+ 12
Yarrow	365	+ 20
Clyde Pet.	118	+ 8
Marinex	118	+ 10
Anglo American Corp.	470	+ 15
Blyvoor	461	+ 16
Doornfontein	741	+ 31
Kinross	481	+ 22
Leslie	78	+ 6
Libanon	755	+ 32
FALLS		
British Sugar	455	− 10
Brotherhood (P.)	100	− 6
Gill and Duffus	115	− 10
Horizon Travel	205	− 7
ICL	59	− 3
Intasun	134	− 5
Saga Holidays	144	− 6
Sonic Sound	58	− 4

Israeli and Syrian forces clash in Lebanon

BY DAVID LENNON ON THE ISRAELI-LEBANESE BORDER AND NORA BOUSTANY IN BEIRUT

ISRAELI AND Syrian jets clashed near Beirut yesterday as Israeli ground forces pushed deeper into Lebanon in a second day of fierce fighting with Palestinian guerrillas.

At least one Syrian aircraft was reported to have been shot down. Earlier a Syrian communiqué said several of its troops were killed when fired on by Israeli artillery.

It has been confirmed from Damascus that Syria has moved an armoured division into Lebanon in the past two days, to support the 30,000 peacekeeping forces it maintains in the country.

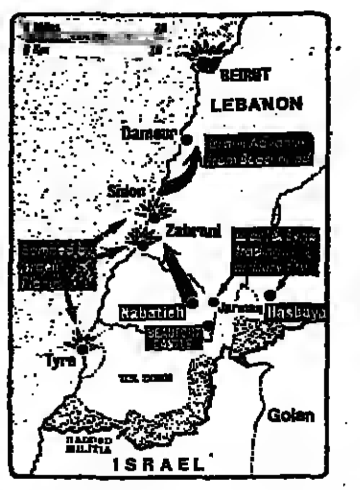
Syrian sources said the deployment was defensive but added that any Israeli penetration of areas under Syrian control would not be tolerated.

The risk of a wider conflict increased as the Israelis appeared to advance well beyond the initial 25 miles they said was required to push Palestine Liberation Organisation forces out of artillery range of northern Israel.

Further massive Israeli reinforcements were reported to be streaming northwards towards the Lebanon border. The convoys were said to include tanks, heavy artillery, armoured personnel-carriers and a range of other equipment.

Mr Philip Habib, the U.S. special envoy, held talks yesterday evening in Jerusalem with Mr Menahem Begin, Israel's Prime Minister, and is believed to have delivered a warning from President Ronald Reagan against permitting warfare in Lebanon to escalate to a direct clash with Syria.

Even before the pair met, the rapidly-moving invasion force had captured the major Palestinian positions in southern Lebanon. The Israeli army said in Tel Aviv last night that Tyre, on the Mediterranean coast, Nabatieh and Beaufort Castle in central southern Lebanon, and Hasbaya in the east, had all fallen.



MR SHLOMO ARGOV, the Israeli Ambassador to Britain, was still critically ill yesterday in the National Hospital for Nervous Diseases, London. His condition was "critical but stable."

He was shot in the head on Thursday when leaving a reception for diplomats at the Dorchester Hotel.

Three Arabs charged with his attempted murder were yesterday remanded in custody at Bow Street court, London, to appear on Thursday at the high-security Lambeth magistrates court, south London. Bail was refused.

It was confirmed also that Israel staged a successful landing of mixed forces, including tanks, just north of Sidon. These troops linked up with Israeli units from the south and surrounded the city, Lebanon's third largest with a population of 250,000.

Israel continued to issue limited reports only on the fighting. General Rafael Eitan, the Chief of Staff, did say, however, that "the major unexpected development" was the fact that the advancing forces had achieved their targets twice as quickly as had been expected.

Gen Eitan said that in the first 24 hours of the invasion Israeli forces virtually had completed their mission to push the Palestinian artillery northwards out of the area from which they could shell Israel.

The mission was continuing, he said, to pursue the objective of destroying the Palestinian bases throughout southern Lebanon.

Later Mr Begin flew by helicopter to Beaufort Castle, north of the Litani River, to see the Israeli flag raised and to congratulate soldiers who captured this Palestinian stronghold from which shells had been fired at Israel over the years.

The Israeli Cabinet was called into urgent session last night to hear a report from Mr Begin on the message which Mr Habib had delivered from President Reagan.

The invasion of Lebanon, Page 20; other Middle East stories, Page 4

Stress on harmony as Reagan flies in

BY PETER RIDDELL AND DAVID TONGE

SENIOR OFFICIALS in London were yesterdey eagerly trying to stress that there was harmony between the UK and the U.S. as President Ronald Reagan arrived for his two-day state visit.

Any hint of disagreement over the Falklands crisis was being played down following the muddle and confusion over Friday's vote at the United Nations Security Council on a ceasefire resolution.

There are no Whitehell grumbles about the military assistance being given by the U.S. and the U.S. has put no pressure on Britain to hold up action on the Falklands.

Instead, British officials continued to stress the "new and continuing role" they saw for the U.S. in ensuring the security of the Falklanders against any future Argentine raids. The British believe that President Reagan left the door open to such ideas when approached by Mrs Margaret Thatcher, the Prime Minister, on Friday before the seven-nation Versailles summit.

Officials in Whitehall stressed yesterday that only some sections of the U.S. Administration appeared to insist that U.S. participation in security arrangements would require prior Argentine approval.

There are, nevertheless, clear signs of dismay in Whitehall about the U.S. behaviour at the UN. The British view is that the amendment made to the draft resolution on Friday was insignificant, and did not justify Mr Alexander Haig, the U.S. Secretary of State, cancelling an earlier order to back Britain by vetoing the draft.

Ashley Ashwood

President Ronald Reagan and Mrs Nancy Reagan arriving in Britain last night

U.S. support for the retaking of the Falklands is appreciated, but some ministers close to Mrs Thatcher are uneasy about speculation concerning U.S. ideas for the long-term future of the islands involving discussions with Argentina over sovereignty.

However, officials insisted that none of the leaders et Versailles sought to suggest to Britain what it should do, though all were concerned about how to ensure hostilities stopped once Britain repossessed the islands and how economic sanctions could help et this stage.

Opportunities for direct talks

Continued on Back Page

Everyone has their way, Page 21; other Falklands crisis stories, Page 5

British forces bomb Argentine positions around Port Stanley

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITISH FORCES are tightening their noose around the Argentine garrison in Port Stanley, according to reports from the Falkland Islands.

The Defence Ministry yesterday confirmed that Argentine positions close to Port Stanley had been bombarded and that British positions had heen bombed hy Argentine Canberra aircraft. There were no casualties.

As has heen its practice over the past few days, the ministry only confirmed reports from correspondents with the troops on East Falkland. These provide the only direct information of the campaign to recapture Port Stanley and repossess the islands.

The fullest report yesterday came from Michael Nicholson of *ITN* who reported that marine commandos have established strong positions in the mountains north of Port Stanley, outflanking the Argentines.

"British sea and land forces control and move freely along the northern waters of East Falklands and large quantities of stores, guns, ammunition and men have heen moved up there," Nicholson said.

It was not clear whether this is the result of the "extraordinarily *daring*" operations which be reported at the weekend.

Nicholson did not indicate the time of the actions he reported. Most despatches from correspondents with the task force are delayed for 24 hours or more either on tha spot or by the Defence Ministry in London.

British stretegy appears constantly to harrass the estimated 6,000 Argentine troops from land and eea, capturing key positions from them and so wearing them down that they would surrender before the fight was taken into the town itself.

Nicholson spoke of British forward positions being reinforced with anti-aircraft Rapier missiles. He refers also to what appears to he sabotage operations by special SAS troops: "There have hcen other operations . . . that one officer described to me as *nuisances* of every kind."

Nicholson said British commanders appeared concerned that Argentina would try to use West Falkland "as a bargaining chip against us if wo are forced into a ceasefire." There are an estimated 1,500 troops on West Falkland who bave so far been outflanked.

Other correspoodents have reported that up to 50 residents of Fox Bay are being held in a house by the Argentin garrison.

All reports make clear that the weather is a continuing hazard for attack and defence alike. Nicholson says: "The weather has been atrocious. We've bad seven consecutiva days of high winds and constant freezing rain. The men on the mountains ere enduring the most appalling conditions, sometimes snow, sometimes ice, always mud.

Interest rate decline continues

By Paul Taylor

SHORT-TERM interest rates in the UK continued to ease yesterday, while the dollar strengthened in the currency markets amid unease about the war in southern Lebanon.

The decline in UK interest rates continues a pattern established last week and raises further hopes of a cut in bank base rates.

Short-term rates fell ebout 1/16 of a point, with the three-month interbank deposit rate slipping to 12¾ per cent, down 9/16 of a point on the week.

The decline reflects continuing optimism about the outcome of the Falklands crisis and the relative strength of the pound. The clearing banks are, however, in no hurry to cut base rates and will be watching today's hanking figures with particular interest.

Hopes of a base rate cut have been strengthened hy an apparent slight shift in Bank of England money market intervention policy.

Although the Bank does not appear to he actively encouraging a base rate cut — it is following rather than leading the market — it is thought it would not now block a cut if the banks felt tha move was justified.

Yesterday, as on Friday, the Bank lowered its dealing rates during its money market operations, buying bank bills of less than one-, two- and three-month maturities at reduced rates.

The UK interest rate decline yesterday was in sharp contrast to continental rates, which were all higher.

Six month Eurodollar deposit

Continued on Back Page

World stock markets, Page 34

Machine for the modern Mozart

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

A MACHINE that might have enabled Mozart to double his musical output—assuming a willingness to compose in eight basic dance *rhythms*—has been developed by Nippon Gakki, the parent company of the Yamaha group.

The PortaSound MP1, as Yamaha calls it, is an electronic keyboard with a difference. It is equipped with a computerised micro-printer that can write out melodies as they are being played (down to the last semiquaver, but not as yet down to demi-semi quavers or smaller).

The MP-1 will also correct minor irregularities in performance and has memory which can not only play back what the machine has just heard but can also transpose it into any chosen key.

A duet function will add suitable inside harmonies to the top line of a melody while another row of knobs gives the choice between a series of ready-made rhythmic accompaniments ranging from waltz to samba and from bossa nova to rock jazz.

You could even compose a march (in four beats to a bar) and have it played back as a waltz (in three beats to a bar), although Yamaha admits

Continued on Back Page

Start of oil spot market prices coverage today

A DAILY report on the oil spot market, giving letest prices paid for cargoes of crude oil and refined products, begins today.

The report, much requested hy readers, will he carried on the Commodities Page, which today is page 30, alongside the existing report on the gas-oil futures market. The service provides prices, in dollars per barrel, and the change on the previous day, of five types of crude oil.

These are Arab Light, used by the Organisation of Petroleum Exporting Countries as the reference for pricing purposes; North Sea Forties crude, adopted by the British National Oil Corporation and other producers as the UK reference oil; Arab Heavy and Iranian Light, representative of the main Middle East grades of crude; and, Nigeria's Bonny Light oil, an Opec-produced competitor of North Sea crudes.

Pricee in dollars per tonne are given also for three of the main refined products traded in the oil spot market—premium gasoline, gas oil and beavy fuel oil.

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For latest Share Index phone 01-246 8026

'Greens' challenge pattern of West German politics

BY JONATHAN CARR IN BONN

MEET THE new parliamentary force in Hamburg, home city of Herr Helmut Schmidt, the West German Chancellor. Its members sport "Go home—Reagan" badges, oppose nuclear power (as well as nuclear missiles) and demand immediate steps to clean up the polluted Elbe river.

With its success in Sunday's elections, this so-called "Green Alternative List" (Gal) has not just thrown the future shape of the Hamburg government into doubt. It has also probably hastened the end of Herr Schmidt's Left-Liberal coalition in Bonn, and raised questions about how stable a national government might emerge from a future general election.

Those seem big claims on behalf of a group which gained "only" 7.7 per cent of the Hamburg vote. After all, the two big parties, Herr Schmidt's Social Democrats (SPD) and the Christian Democrats (CDU), won 42.8 per cent and 43.2 per cent of the vote respectively.

The key point is that, by increasing its vote from 4.5 per cent at the last Hamburg elections in 1978 to 7.7 per cent now, the Gal crossed the 5 per cent threshold—the minimum support needed to gain parliamentary representation. Hamburg thus becomes the fifth provincial legislature (after Bremen, Baden-Württemberg, Berlin and Lower Saxony) where the Greens or the Alternatives—the name changes from place to place—have seats.

This is a deeply worrying development, above all for the liberal Free Democrats (FDP), who have played the role of a responsible "third force" throughout much of West German post-war history and who have formed the Government with the SDP in Bonn since 1969.

In the elections in Lower Saxony earlier this year the FDP gained more than 5 per cent, but was still pushed into fourth place by the Greens. In Hamburg the Liberals won only 4.8 per cent and stay out of the local parliament, despite intensive campaigning by Herr Hans-Dietrich Genscher the FDP chairman and Foreign Minister.

That FDP result is enough in itself to make the Liberals still more nervous partners for the SPD in Bonn. It strengthens the hand of those in the party who believe that attachment to the SPD at federal level is proving a serious liability in the provinces.

But the FDP failure has also been combined with the worst post-war result the SPD has suffered in Hamburg—traditionally a stronghold of moderate Social Democracy. After gaining 51.5 per cent of the vote in 1978 — and thus being able to form the Hamburg government alone—the SPD must now content itself with being only the second strongest parliamentary party, after the CDU.

The end of a beautiful friendship? Sunday's election results in his home city of Hamburg were not just a personal blow for Chancellor Helmut Schmidt (right) but may also lead his coalition partner Herr Hans Dietrich Genscher (left) away from their 12-year partnership and towards the opposition Christian Democrats.

This is not only a personal blow for Herr Schmidt, who played a major role in the election campaign; but for his fellow citizens of Hamburg, Herr Hans Apel, SPD Defence Minister in Bonn, and Herr Herbert Webner, leader of the SPD group in the Bundestag (the lower house of the Federal Parliament).

It would be unfair to blame Herr Schmidt for the SPD debacle, which would almost certainly have been still worse without his efforts. The Chancellor remains the most popular politician in the country and has constantly warned his own party against flirting with the radicalism of the Greens.

It is in this highly unsettling atmosphere that the Bonn coalition partners have this week begun talks on a supplementary budget for 1982 and the budget for 1983. The discussions would have been difficult enough in the best of circumstances, and now they are taking place in something like the worst. Last year, similar talks on increased state borrowing and budget cuts made necessary above all by the growing bill for the unemployed—brought the SDP and FDP close to a break. This time the strain will be greater still.

To make matters worse, the FDP is due to take a decision in about 10 days on its strategy for the key election in the state of Hesse in September. Hesse is the last provincial state where an SPD-FDP coalition still exists. If the FDP in Hesse votes to switch its allegiance there to the CDU—and this is now highly likely—then the blow to the Bonn alliance would be very grave indeed.

It could create an atmosphere in which further co-operation between the government partners—not least on budget matters—would become impossible. The writing would then be on the wall for the SPD-FDP in Bonn, after a remarkable term of more than 12 years' uninterrupted office.

It is unclear what would replace it. The CDU is naturally delighted by its Hamburg result—its best ever in that city—and is prophesying similar triumphs elsewhere. But behind the scenes it is almost as unsettled by the success of the Greens as are the Government parties.

French imports of oil fall 17% in April

PARIS — French imports of crude oil in April were 6,629,100 tonnes, 17.2 per cent below the figure a year ago, according to customs figures released yesterday. The cost is provisionally estimated at FFr 10.8bn (£980m), down 6.4 per cent from April 1981.

Over the first four months of the year, oil imports totalled 28,006,005 tonnes, down 16.6 per cent from the same period last year.

Saudi Arabia accounted for 38.2 per cent of France's overall oil imports in April, down from its 49.5 per cent share a year earlier. AP-DJ

Bonn rejects British Airways fares plan

BY LESLIE COLITT IN BERLIN

THE West German Government has rejected a plan by British Airways to cut by 43 per cent its air fares between West Berlin and Hanover, fearing it would increase pressure on the Government-owned Lufthansa airline to reduce its own fares in West Germany.

BA, as a result, said it will reduce its Berlin-Hanover flights by up to two a day during July and August from the present eight. This would be the lowest level in many years on the route where BA has suffered sharp declines in traffic because more West Germans are using the East German autobahn to West Berlin which was modernised at considerable cost to West Germany.

The rejection of the proposed BA standby fare for July and August marks the first time the allied air attaches in Bonn have turned down a request to lower air fares from BA and PanAm, the allied carriers serving West Berlin. They told BA the decision was taken after close consultation with the West German Transport Ministry and "taking into account" the commercial air fare structure in West Germany.

The Bonn Government also said it would be unable to provide a passenger subsidy for the proposed lower fare as it does for regular fares between West Berlin and the nine West German cities served by the two allied carriers. The current subsidy for the DM 192 (£46) round trip fare between West Berlin and Hanover is DM46 (£11). BA was proposing to drop the fare to DM90 (£21) on a standby basis.

Lufthansa has long opposed standby fares and other reductions which would lower the profitability of its domestic air service. It is one reason the West German airline has managed to return a profit, albeit a dwindling one, while most other airlines report record losses.

British Airways said that if the Berlin-Hanover standby fare had been successful it would have lowered fares on its other West German routes. Lufthansa's fares per kilometre within West Germany are considerably higher than those charged by BA or PanAm on their Berlin routes, even without the passenger subsidy.

Jaruzelski hints on curbs

By Christopher Bobinski in Warsaw

POLAND'S military leader, General Wojciech Jaruzelski, has implied that restrictions could be eased if internal opposition ceases and "external intervention and discrimination" by the West comes to an end. The implication was contained in a speech he made last week in Bucharest and which has been quoted by Poland's state-controlled media.

The intention, evidently, is to shift the blame for the continuing martial law restrictions on to the West and the Solidarity union's clandestine operations on the eve of the Nato summit meeting this week.

The meeting is expected to discuss policy towards Poland in the light of the scant progress towards the fulfillment of the Nato call for the lifting of martial law, freeing of internees and a resumption of talks with Solidarity. Talks on rescheduling Poland's government debts have been stalled with Western governments because these conditions have not been met.

The government daily newspaper, Rzeczpospolita, said yesterday that "there are reasons to expect further official moves aimed at easing the difficulties and restrictions on normal life."

It quoted Gen Jaruzelski's speech made last Friday while on a visit to Romania. The general said: "We are creating the conditions for the creation of national accord including all those forces which recognise the paramount importance of the interests of the Socialist state . . . if there are no internal disorders, if the external interference and discrimination ceases then a serious step to this goal can be made."

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Trial opens in Italy of group charged with armed rebellion

BY RUPERT CORNWELL IN ROME

ONE OF Italy's most controversial post-war trials began here yesterday, with the opening hearing against 71 members of Autonomia Organizzata, the far-left organisation accused of plotting to overthrow the Italian state during the 1970s.

The trial, in the same heavily guarded courthouse being used for the current Red Brigades terrorist hearings, was immediately adjourned until November 7. The delay is to allow completion of the latter, with which the Autonomia case is closely linked.

Two more important police successes against terrorism have coincided with the beginning of the trial. A member of the Prima Linea (Front Line) group was arrested in Paris at the weekend, and the Carabinieri para-military police in Rome yesterday siezed Remo Pancelli, one of the top Red Brigades commanders still at large.

Yesterday's court-session was the belated consequence of two waves of arrests in 1979 in Padua and elsewhere, of Professor Toni Negri, Autonomia's leader, and alleged associates. They are accused not only of specific terrorist crimes in the early 1970s, but of having been the ideological mainspring of the movement which spawned the Red Brigades and other left-wing extremist groups.

Of the 71, 25 have been held in prison—some, including Prof Negri, for more than three years. A further 30 are free on bail, while 16 are on the run. Of the 46 charges they face, the most serious is "armed insurrection against the state," an accusation never brought before in post-war Italy.

At one point, indeed, it was argued that Prof Negri had been the strategist behind the 1978 kidnap and murder of Sig Aldo Moro, the former Christian Democrat Prime Minister, which is the crime at the centre of the present trial against 63 Red Brigades terrorists. That accusation, however, has since been dropped.

In the meantime, serious divisions have surfaced among several of the magistrates involved with the Autonomia case. Defence organisations have emerged claiming that the trial is little more than a witch-hunt, aimed at discrediting the entire independent Left (ie, to the left of the Communists) in Italy since the late 1960s.

This factor, coupled with the length of time some defendants have been held without bail, has aroused considerable disquiet, extending outside Italy. Amnesty International is due to send observers when the trial begins in earnest in November.

Sniping at Haughey grows

TWO MORE former Irish cabinet ministers have joined in the criticism of the political style and strategy of Mr Charles Haughey, the Prime Minister.

They lent their support yesterday to remarks by Mr George Colley, Mr Haughey's former deputy, which were seen in Dublin as an attack on the government leadership. Mr Colley's charge that some recent domestic political "deals" in Ireland could undermine democracy was backed by Mr Jim Gibbons, a former Minister for Agriculture, and Mr Robert Molloy, once a Defence Minister.

Mr Gibbons said Mr Colley's comments had "needed to be said". Mr Molloy claimed the former Deputy Premier had "articulated concern felt by a lot of people throughout the country".

The latest rumblings against Mr Haughey from within his own Fianna Fail party mark the second display of dissent since last February's general election which won him minority power in Dublin.

Mr Haughey later beat off a bid to replace him as party leader following allegations that he had become an electoral liability. Now though, that suggestion has been revived after Fianna Fail's disastrous showing in a Dublin by-election last month.
Agencies

France may pay 43.5% of EEC rebate to Britain

BY JOHN WYLES IN BRUSSELS

NEARLY two-thirds of the recently agreed £476m rebata on Britain's 1982 EEC budget contributions will be paid by France and Italy under proposals which look likely to be adopted by the European Commission *tomorrow*.

For France in particular this represents a much larger share of the burden of reducing Britain's payments than it had to bear in financing rebates paid to London in 1980 and 1981. But this is apparently the price to be paid for the important concession granted to West Germany when the 1982 deal with the UK was agreed two weeks ago.

On the basis of its normal payments to the EEC, Bonn should be funding around 36 per cent of the Britisch rebate. But it fought successfully for only an 18 per cent share amounting to £85.6m (153m European currency units) on the grounds that it could iot afford more because of its public spending problems.

In addition, Ireland and Greece will be given a special dispensation from paying their full share because of their "less prosperous" status. Despite having to pay 20 per cent of the British rebate under the Commission's proposal, Italy too will be receiving some relief from what otherwise would have been its full burden. Meanwhile, around 17 per cent of the total will be paid by Benelux and Denmark.

Commission officials are hoping their plans can be adopted without the issue having to be dealt with by EEC ministers. But several delegations expect some tough haggling which may need to be resolved by foreign ministers at their meeting in Luxemburg on June 21.

The French attitude will he crucial. On the one band, Paris would, under the Commission's proposals, have to carry 43.5 per cent of the British hill. On the other, the £207m (369.75m Ecu) compares with less than £244.8m (437.3m Ecu) France paid last year on a 31 per cent sbare.

This is because the 1982 rehate accepted under pressure by Britain is some £257m less than it received last year. Similarly, Italy's share of the cost would rise from jnst under 17 per cent last year but the size of tha cheque would fall from £134m to £95.2m.

The smaller sums of money involved should do something to soften the impact of the concession to West German intransigence. But all governments know that they have to try to negotiate a *longer term* deal with the UK in the autumn and that the terms of the 1982 deal could set an important precedent.

Those funding the Britisb deal are particularly worried by the fact tbat West Germany has already given notice that it will only pay a quarter of its normal share of any future rebates for Britain. This could take France's share of the cost to well over 50 per ceot and could be a cause of domestic controversy.

Robert Graham, in Madrid, analyses civilian and army opinion now the coup bid tribunal is over

Spanish society deeply divided by trial

WHEN SPANISH Members of Parliament emerged on the morning of February 24 last year, bleary-eyed and exhausted from having spent 18 hours as hostages under the guns of the rebel military, they were unanimous: the authors of the abortive coup which had seen Parliament, the principal institution of democracy, bumiliated had to he severely punished.

Such punishment has, however, failed to materialise. Last week the military tribunal trying the 32 officers and one civilian *for the abortive coup* handed out ienient aentences. Only General Jaime Milans del Bosch, who placed the Valencia military region under martial law, and Colonel Antonio Tejero, the Guardia Civil Officer who led the seizure of Parliament, received the maximum *30-year sentence* demanded by the prosecution. Of the rest, 11 were absolved of guilt, and only 10 will he expelled from the armed forces.

It is this aspect which has caused the greatest indignation among Members of Parliament and in the Press. Officers who took an active part in *trying* to overthrow Spanish democracy will he permitted to retain their ranks and rights to promotion—and have men-at-arms under their command. Not surprisingly, the Government of Sr Leopoldo Calvo Sotelo has invoked its powers to appeal against the sentences, which will shortly be lodged in a civilian appeal court.

As the indignation begins to die down, however, a number of commentators have underlined that the verdict also needs to he seen from the military point of view. The 16-man tribunal (It ended up as 16 after the original president was forced to retire because of an ulcer) was judging companions in arms. Furthermore, in their youth the members of the tribunal bsd rebelled against the establisbed order at the outbreak of the *civil war*.

It must have been very painful for them to have sentenced Gen Milans del Bosch: It meant the expulsion from the army of one of its most highly decorated and illustrious sons. This said, it was clear from the very start that the military tribunal had a completely different philosophy towards persons on trial than that of a civilian court.

The accused were confined not to cells but to spacious quarters. They did not even seem to he obliged to attend the trial every day. On several occasions incidents showed that the judges were afraid of antagonising those on trial. Gen Milans del Bosch stormed out of the court without sanction when he refused to listen to evidence from one of the serving regional commanders with a reputation as a democrat.

This benevolence was in stark contrast to the way in which the court allowed itself to submit to pressure from the accused when they demanded the expulsion of a newspaper editor from the room. The trial was held up until the editor of Diario 16 was ejected. The excuse: an article which the accused considered offensive. Last week the constitutional court declared this ejection to be unconstitutional.

The sentences are also in stark contrast to those handed out to the members of the Democratic Officers' Movement (UMD). This was a group formed in the twilight of the Franco era to try to promote democracy within the armed forces. Trials of UMD members went on as late as 1976 and, although there was no suggestion they were rebels, they were expelled from the armed forces. Even now the military refuse to let UMD officers he accepted back into the ranks although their action could be considered constitutional.

To have expected the judges to have behaved differently *ignores two important factors*. First, the investigation into the coup attempt was pressed with little vigour and designed to pin hlame on a limited number of persons. The Government was responsible for the investigation. As many as 4,500 troops were fully mobilised on the night of February 23 but only 32 officers were brought to trial, more than half representing members of the Guardia Civil involved in the seizure of parliament.

Significant figures like Gen Juste, commander of the Brunete Armoured Division that guards Madrid, were not charged. Gen Juste was present, according to the trial evidence, at a meeting in division headquarters where support for Gen Milans del Bosch was discussed and he failed to prevent a convoy leaving to back Col Tejero in Parliament. There was a feeling in the armed forces that a lot had got off scot free.

Added to this the terms under which Col Tejero agreed to leave Parliament involved an understanding that no one below the rank of lieutenant would be punished. This pact, *apparently approved* by the King, was also a precedent for the court. The 280-odd Guardia Civil ranks who took part in the seizure of Parliament are all back on active service.

Second, because tbe investigation was so weak, it became increasingly obvious that too mnch evidence was hearsay. Gen Alfonso Armada, former military adviser to the King, was accused of heing a joint leader of the coup and the prosecution demanded 30 years. He ended up with six years, on a charge of conspiracy, and even for this there was little proof to satisfy an Anglo-Saxon court.

This sentence bas been the hardest to digest bere as most people operated on the principle that be was guilty until proved innocent. Gen Armada himself stubbornly insisted throughout the trial on his innocence and was disliked by the rest of the accused—he was even given separate quarters, such was the animosity. The lack of proof against this man, who was alleged to be the link with the Crown, indirectly helps dispel all the accusations against King Juan Carlos that be was behind the coup.

The main lesson from the trial is that justice for crimes against the State shonld not be within the rompetence of military jurisdiction. It runs against one of the fundamental principles of a democratic atate: the separation of powers.

Here, however, the politicians are in good measure to blame. When the reform of military justice was discussed two years ago, Parliament was extraordinarily timid. Instead of firmly subordinating military justice to civil control, only limited reforms were made.

Tbe most important change introduced was allowing appeals from military tribunals to he made to civilian appeal courts. But this, as will now be the case with the coup attempt, merely provokes a damaging confrontation between the civilian and military jnrisdictions.

Other reforms which are now likely to be introduced include ensuring that persons convicited of crimes against the State do no stay in the armed forces. The authorities would like, but may not have the courage, to tackle some of the aspects of the Guardia Civil code of conduct. The Guardia Civil demands "hlind ohedience" to orders from superior officers — something whicb permitted the judges to exculpate the bulk of the Guardia Civil on trial.

If much of the trial bas proved unsatisfactory, Spanish democracy can take some comfort from the poor image of the armed forces that the rehels gave. With their frequent resort to the argument that the country was going to the dogs, they appeared as figures pathetically lost and left out in the new democratic order.

Apart from the impetuoua action of Col Tejero and Gen Milans del Bosch, most of the leading figures clearly hungled on the night of the coup. Col Tejero was right when he shouted at the end of the trial that a good many of the army officers were cowards: thst they wanted to change things bnt were afraid to act. The trial has left a deep gulf between civil and military society — the gulf is probahly more keenly felt by the armed forces.

Madrid wants Nato to form fourth command

THE SPANISH Government would like to see a fourth Nato command established that covered Spanish territory exclusively. The issue has already been raised in private and will be discussed formally now that Spain is a full member of the Atlantic alliance writes Robert Graham.

Spain feels that there are inherent difficulties in accommodating its own military interests within the three present Nato command structures. In particular, the Spanish talk of a strategic arc running from the Balearic islands through Gibraltar to the Canaries which they do not want incorporated into the existing Iberian command, based outside Lisbon.

The Portuguese, for their part, are sensitive to the idea of Spanish domination of the Iberian peninsular, *now* that Spain has joined Nato.

Another delicate issue for the alliance to resolve as a result of Spanish entry is the relationship of Gibraltar within Nato. Until now, Spain has protested at the use of the Rock for Nato exercises. In particular, it has objected to the presence of British nuclear submarines.

The Spanish Government is also keen to press the alliance into accepting that its two North African enclaves of Ceuta and Melilla are *within* Nato's geographical limits. Dr Joseph Luns, the alliance's secretary-general, has rejected such a concept so far.

Significantly, at the ceremony in Brussels last Saturday to mark Spanish entry, Sr Jose Pedro Perez-Lorca, the Foreign Minister, went ont of his way to stress Spain's links with Latin America and disagreed openly with British policy on the Falklands.

Clearly, Spain feels a degree of ambiguity still *about its place in Nato*, but the conservative daily newspaper, ABC, said yesterday that Spanish membership was the most important event for the country since Juan Carlos became King.

Ruhrgas moves into overseas exploration

BY KEVIN DONE IN FRANKFURT

RUHRGAS, the dominant West German natural gas importer and distributor, is to start diversifying its activities into overseas exploration.

Its first venture will be in Cameroun, where it has bought a 20 per cent interest in an exploration concession led by Elf Aquitaine, the French oil and gas group. The licence covers an area off the south coast of the West African state. Seismological tests are being carried out in preparation for the first drilling programme.

Estimates suggest the concession area contains up to 75bn cu metres of natural gas. Cameroun is estimated to have around 750bn cu metres of possible reserves of which some 220bn have been proved.

For Ruhrgas, one of Western Europe's biggest natural gas purchasers, the move into exploration marks an important step in its strategy of ensuring access to new production areas as they open up around the world.

West Germany draws its foreign gas supplies from the Soviet Union, Norway and the Netherlands, with 32 per cent of its needs being covered from domestic production.

It has previously conducted negotiations with Algeria and Nigeria over the supply of LNG (liquefied natural gas) although both projects have been frozen because of problems in the producer countries. It is also carrying out a feasibility study with Canadian energy companies that could lead to the delivery of gas from the Canadian Arctic to Western Europe in the 1990s.

Dr Klaus Liesen, Ruhrgas chairman, said that other exploration projects besides Cameroun are also under consideration. The West African state is already working on a scheme to exploit previous gas finds with the aim eventually of exporting 4-5bn cubic metres of LNG a year, probably to Western Europe.

Ruhrgas results and gas takeover, Page 32

Public sector debt 'limiting Nordic growth'

By William Dullforce in Stockholm

THE WEIGHT of interest payments on public sector debt is limiting severely the ability of Nordic governments to adopt more expansionary policies, according to "Business Outlook," a biannual report published by Copenhagen Handelsbank, Den Norske Creditbank, Kansallis-Osake-Pankki and Svenska Handelsbanken.

Increasing unemployment, slow growth and "unacceptably high" inflation rates are singled out in the banks' description of the economics of the four nordic countries. Aggregate growth is forecast at about 1 per cent in the area this year.

Budget deficits have been increasing swiftly in all four countries, including Norway if the state revenue from North Sea oil tax is excluded. In Denmark, interest on the domestic national debt is running at DKr 13bn (£930m) a year, while interest on the Swedish state debt will be more than SKr 39bn (£3.75bn) in the 1982-83 budget year.

ISRAELI INVASION OF LEBANON

Palestinians offer tough resistance

BY DAVID LENNON IN METULLA, ISRAEL-LEBANON BORDER

THE ISRAELI forces were meeting unexpectedly tough resistance from the Palestinian guerrillas yesterday, the second day of their massive invasion of Lebanon.

Fierce fighting was raging at a number of points as the invading troops tried to destroy Palestinian strongholds in southern Lebanon.

The capture of Beaufort Castle, a Crusader fortress which dominates the northern part of Israel, came only after massive bombardments and fierce hand-to-hand fighting during the night through the underground bunkers which had been built under the castle by the Palestinians.

Yesterday morning soldiers on the border were peering through their binoculars, searching the mountain tops for signs of an Israeli flag signifying the fall of the major Palestinian stronghold.

An Israeli soldier, asked if the invasion troops bad forgotten the flag, replied half-jokingly: "No, it's got torn on the way up."

Israel's announcement of the capture of Beaufort was greeted with joy, but many people on the northern border expressed growing concern about the absence of Israeli reports on the course of the fighting.

One veteran of the border village of Metulla, Mrs Ayna Belski, said this was a bad sign which could indicate that the battle was not going so well, and that casualties may be heavy.

Other locals, long familiar with the troubles on the border, commented that this war was clearly much tougher than the Litani invasion four years ago. "The Palestinians are a real army now, and they are putting up a real fight," commented one local.

The noise of artillery fire could be heard clearly on the border as Israel's war to destroy the PLO rumbled through its second day.

At Khardaly bridge on the Litani river, the two sides exchange heavy artillery barrages as the Palestinians tried to block the Israeli advance.

The target of the Israeli thrust in this central sector is the town of Nabatiya, a Palestinian enclave from which PLO forces shelled and rocketed northern Israel over the weekend.

By yesterday, the firing into Israel had stopped as the advancing Israeli troops overran Palestinian positions and engaged others in direct battle.

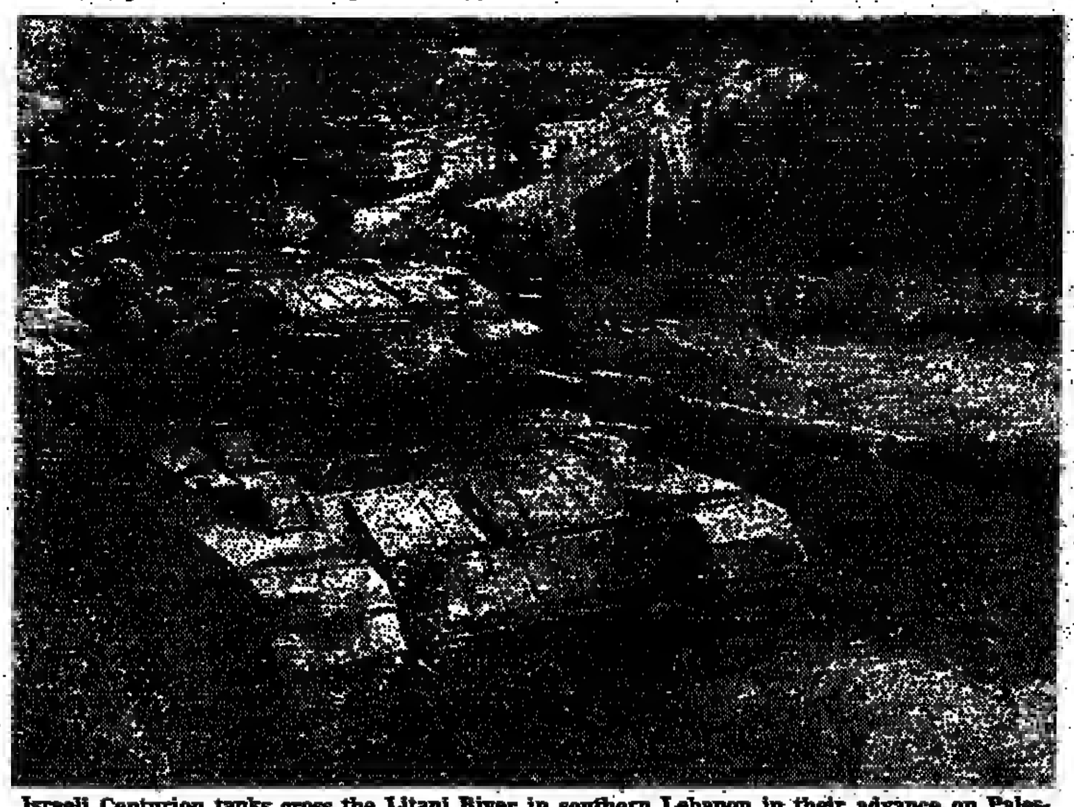
There was ample evidence in the region that Israel expected the battles to continue for some time as reinforcements could be seen moving northwards along the roads in Israel.

Agencies add: Standing helplessly at a roadblock on the Khardaly Bridge yesterday were Gurkha soldiers of the United Nations peacekeeping forces assigned to the area in 1978 in the wake of the previous major Israeli invasion.

Lieutenant Sudhir Arial, commander of the outpost, who arrived from Nepal only six days ago, said he had briefly tried to stop the invading Israeli tanks and armour as they rolled into South Lebanon.

"I argued with the Israeli officers, but I did not even contemplate resisting them with the few firearms I have. We had no chance," he said.

Israeli Radio reported that Prime Minister Menahem Begin flew to Beaufort by helicopter yesterday morning for a briefing on the situation from Defence Minister Ariel Sharon and a talk with Israeli troops there.



Israeli Centurion tanks cross the Litani River in southern Lebanon in their advance on Palestinian guerrilla strongholds. Prime Minister Menahem Begin says the forces are intended to push the Palestinian Liberation Organisation forces out of a zone 24 miles north of Israel's frontier

N'Djamena 'falls to Chad rebel forces'

By Quentin Peel, Africa Editor,

N'DJAMENA, the capital of the impoverished north African state of Chad, fell yesterday to the rebel forces loyal to Mr Hissene Habre, the former Prime Minister, according to French officials and news agency reports in Paris.

The fall of the capital followed swiftly on the defeat of the troops supporting President Goukouni Oueddei at the town of Massaguet, 50 miles away, on Saturday. Most of the 150 French nationals living in the town were evacuated, the agencies reported.

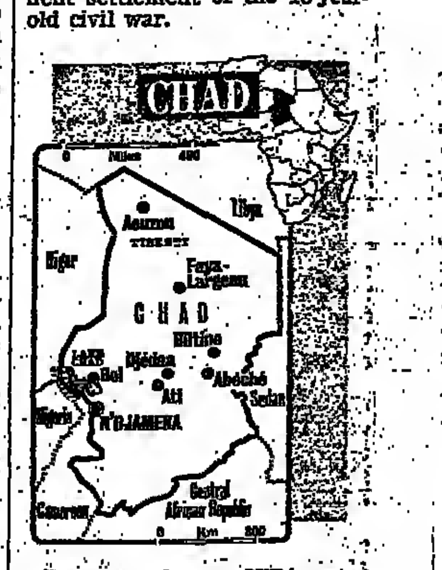
Diplomats said that the rebel Forces Armees du Nord (FAN) entered N'Djamena at 5 am, led by M Idris Miskine, second in command to M Habre. There was little resistance, and few if any civilian casualties.

About a quarter of the town's population had fled across the river to Cameroun on Sunday.

The collapse of the government forces will now present the Organisation of African Unity with a dilemma, for it still has some 4,000 men in Chad forming a peacekeeping force, although it has palpably failed to fulfil that role.

There was no immediate news on the whereabouts of President Goukouni, although Reuters quoted an unconfirmed report that he had been killed while trying to cross the border into neighbouring Cameroun.

M Habre's spokesman in Paris said yesterday that he would set up a provisional government and then try to organise a conference with the other leaders to reach a permanent settlement of the 18-year-old civil war.



Reports from N'Djamena suggest that the only opposition to M Habre came from President Goukouni's forces, while the other armed groups allied to the government—the southern-based supporters of Colonel Kamougue, and the irregular troops backing M Ahmed Acyl—held back from the conflict.

There has been no immediate reaction from Colonel Muammar Gadaffi of Libya, who had supported President Goukouni with his own troops until he withdrew to make way for the OAU at the end of 1981.

He is thought unlikely to intervene, because he is due to become the next chairman of the OAU, and could not afford to alienate other OAU members.

The OAU has clearly been running out of patience with President Goukouni, and had given him a deadline of June 10 by which to agree to a ceasefire and negotiations, or face the withdrawal of the peacekeeping force.

Invaders 'outgun' opposition

ISRAEL HAS overwhelming military superiority over Palestinian forces in Lebanon, even when reports of a recent arms build-up by the guerrillas are taken into account, according to western estimates.

Western defence experts say guerrilla forces serving with groups allied to the Palestine Liberation Organisation (PLO) have between 12,000 and 14,000 men. The Israeli armed forces have 172,000 in all, a total that can rise to 400,000 within 24 hours when reservists are mobilised. Only a fraction is involved in the current operation in southern Lebanon.

The Palestinian forces are composed almost entirely of ground troops armed with light weapons and rockets. Their mobile and fixed anti-aircraft batteries have long proved ineffectual against the Israeli air force, which dominates the skies over Lebanon.

The defence experts believe most of the few heavy weapons the guerrillas possess are fully deployed, with little in reserve. The heavy weapons include Katyusha rocket batteries, used to hit targets in Northern Israel, and which may already have been lost to the invasion force.

The guerrillas also have an unknown number of 130 mm guns and about 35 aged Soviet T 34 tanks, the defence experts said.

Israel has at least 3,500 tanks, some of which it has been using in the present invasion. Its armoured personnel carriers contrast to the open trucks and jeeps the Palestinian forces use for rapid deployment.

Israeli officials said recently that the Palestinians had doubled their firepower in southern Lebanon in the past year and were trying to obtain sophisticated weapons, including surface-to-surface missiles.

EEC may hold special meeting

BRUSSELS—The 10 European Economic Community nations were yesterday considering holding a special Foreign Ministers' meeting to review the Middle East situation following the Israeli invasion of South Lebanon.

A spokesman for the Belgian Foreign Affairs Ministry said Greece requested such a meeting on Sunday, several hours after the invasion began. The request was addressed to Belgium, the current president of the EEC Ministerial Council.

"Not all answers are in and no decision about a special meeting has been made yet," the spokesman said.

He added that Foreign Minister Leo Tindemans, in New York to attend the United Nations disarmament conference, "is being kept informed of developments." Mr Tindemans is ready to return to Brussels immediately.

He flew to New York yesterday and was not scheduled to return home until Wednesday.

Agencies

Mubarak condemns Israeli action

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak's condemnation of the Israeli incursion into southern Lebanon is being expressed in the strongest terms used by the Egyptian Government since the late President Sadat launched in 1977 his initiative for peace with Israel.

After meeting with his senior foreign policy advisers, Mr Mubarak called the Israeli action "a flagrant violation of international law" and demanded an immediate withdrawal of Israeli forces. He said that the increased instability and tension in the region will affect the peace process.

His condemnation followed hard on another similar statement from the Egyptian Cabinet. This condemned the assassination attempt on the Israeli Ambassador in London, but said it could not justify the indiscriminate killing of innocent civilians, including women and children, in Lebanon.

President Mubarak has followed his statements by sending messages to President Reagan and Mr Menahem Begin, the Israeli Prime Minister, as part of diplomatic moves to press Israel into withdrawing its forces.

Supporters of the peace process—to which Egypt is undoubtedly committed—point out that Egypt's condemnation is more effective than the response from all other Arab countries, which have no diplomatic relations with Israel. Last night, Egypt's Ambassador to Israel was ordered to deliver a sharp note of protest to the Israeli Foreign Ministry.

Now that Egypt has recovered the remaining parts of its territory in Sinai, lost in the 1967 war, it can afford to be more flexible in its response. How flexible is not yet clear. Were Egypt to cut off diplomatic relations with Israel, sufficient voices would be raised in Jerusalem to call such a move provocation enough to re-occupy the Sinai, from which Egyptian forces have been virtually excluded under the terms of the peace treaty.

U.S. envoy bids to head off war

VERSAILLES — Mr Philip Habib, the U.S. envoy, has arrived in Jerusalem, with new instructions from President Ronald Reagan, in an effort to prevent the latest Israel-Lebanon border fighting from turning into an all-out war.

Mr Habib, who negotiated the fragile ceasefire between Israel and the Palestinian strongholds in southern Lebanon 11 months ago, stopped to confer with Mr Reagan and other U.S. advisers here on Sunday en route to Israel.

Mr Reagan took time out from a seven-nation economic summit of the leading industrial nations to meet Mr Habib. U.S. administration officials said there was little else the President could do until Mr Habib reports the results of his conversations in Israel.

Although Mr Larry Speakes, the deputy White House press secretary, said the U.S. "pulled out all stops" in seeking to halt the fighting, U.S. officials appeared reluctant to criticise Israel.

Mr Alexander Haig, the U.S. Secretary of State, travelling with the President, said his government was "extremely concerned about the escalating cycle of violence." Asked whether it was legitimate for Israel to use aircraft and tanks supplied by the U.S., Mr Haig replied: "These are questions of extreme importance, questions on which assessments will be made in the hours ahead." He said the issue was "not unrelated to the discussions Mr Habib will have in Israel."

But Mr Haig refused to say whether the administration agreed with the condemnation of Israeli violence issued by President Francois Mitterrand of France on behalf of the seven nations represented at the summit, which ended here on Sunday.

At the UN, Mrs Jeanne Kirkpatrick, the U.S. ambassador, said it would "not be reasonable or balanced or fair simply to point a finger of blame" at Israel for violating the ceasefire, if reports of the PLO shelling Israeli villages ...

Reagan sends peace plea to Begin

Below is the text of a letter from U.S. President Ronald Reagan to Israeli Prime Minister Menachem Begin. The text was released in English by the Israel Government press office.

FOLLOWING the abominable shooting of Ambassador (Shlomo) Argov and the subsequent escalation of violence, I am sure you are aware of our efforts with interested parties in Europe and the Middle East to urge that no further actions be taken against Israel that could only worsen the situation. As we continue our efforts, I hope you will give the most serious consideration to the message Ambassador (Samuel H.) Lewis conveyed to you late Saturday evening and will do what you can to avoid military steps that could lead to a widening of the conflict and even greater Israeli casualties.

Secretary (of State Alexander M.) Haig and I will be consulting with Ambassador (Philip) Habib today. Following those discussions, if the situation permits, we will ask him to proceed on his mission to the area as scheduled. I hope you will agree on the need to work together to bring about those conditions which, over time, will recreate a stable and secure Lebanon and ultimately lead to security on Israel's northern border.

I pray our efforts will succeed to ensure that the situation does not go beyond the violence of recent hours. As you know, the security of Israel remains of the utmost concern to me.

● At least two rockets slammed into the U.S. Embassy in Beirut yesterday. There were believed to be no casualties.

Doubts on no-war pact

BY K. K. SHARMA IN NEW DELHI

PAKISTAN has sent a draft of a no-war pact to the Indian Government, but it was made clear in New Delhi yesterday that it was unacceptable to India in its present form. An official spokesman said that the draft would require "considerable amendments, modifications and additions."

The draft is expected to be discussed when foreign secretaries of the two Governments meet in Islamabad next month to resume the stalled dialogue on normalisation of Indo-Pakistan relations. This was broken off by India last February after Pakistan raised the issue at a human rights conference in Geneva.

The contents of the Pakistani draft have not been revealed. Indications are that it is limited to the no-war pact proposal. India wants any agreement on normalisation to be based on more concrete institutions and has suggested the formation of a joint commission for economic co-operation and the signing of a treaty of friendship

Mugabe may ease line on investment code

BY OUR HARARE CORRESPONDENT

THE ZIMBABWE Prime Minister, Mr Robert Mugabe, hinted at a softening of his Government's attitude towards an "investment code," intended to encourage new foreign investment on his return from his three-week visit to Western Europe.

The Mugabe Government has hitherto rejected calls from potential foreign investors for such a code on the ground that more than adequate protection is provided in the Lancaster House constitution.

Bot at a news conference yesterday Mr Mugabe said that be still believed that the general principles already set out by his Government were adequate but added: "If there is a need for an investment code, we will consider having one."

He did not go into detail but promised that "something will be said" in the three-year transitional development plan.

Mr Mugabe told newsmen that overall his trip had yielded "tremendous benefits," though he accepted that further economic assistance to Zimbabwe would be constrained by the difficulties facing the industrialised world.

The softer tone on an investment code is thought likely to reflect pressure from Western Europe for a more positive stance by the Harare Government towards foreign investment.

Shortly after Mr Mugabe's news conference, Zimbank, the country's second largest banking group, which is State-owned, appealed for action to attract foreign investment into the private sector and boost exports.

Zimbank warned in its May economic review that the country's balance of payments deficit more than doubled last year from £120m to £300m. It predicts an improvement in 1982 due to higher tobacco, meat and maize earnings and enhanced aid inflows, but warns that the balance of payments will come under renewed strain from 1983 onwards.

Debt servicing costs will rise, imports, including food imports, will rise and export growth remain "sluggish." It calls for action to attract new foreign investment and boost exports so that the private sector is able to meet the ambitious development plan investment target set for it by the Government.

Saudi Arabia first quarter imports rise

BAHRAIN — Saudia Arabia imported goods worth 33.5bn Riyals (£5.44bn) in the first quarter of this year, 16.3 per cent more than in the equivalent period last year, the official Saudi Press Agency said.

The first-quarter imports last year totalled 28bn riyals, it said.

The agency, quoting Finance Ministry figures, said imports of cement, steel and flour were markedly down because of higher domestic output of those products, but purchases of cars, barley, meat, fruit and vegetables increased.

Reuter.

Japan investment up 90%

BY CHARLES SMITH IN TOKYO

JAPAN'S direct foreign investment rose by nearly 90 per cent to \$8.9bn (£4.97bn) in the 1981 fiscal year, the Finance Ministry has announced.

A large part of the rise was due to the fact that Japanese companies increased their loans to their own overseas subsidiaries to take advantage of lower interest rates in Japan. Much of the remainder reflected Japan's efforts to establish production bases within Western markets to deflect criticisms of Japanese exports.

The overall total of \$8.9bn includes \$5.57bn-worth of "loan acquisitions" by Japanese companies—a rise of 155 per cent on the 1980 figures—and \$3.2bn-worth of share acquisitions (up by 40 per cent).

Fall in oil income jeopardises Indonesia's growth

BY RICHARD COWPER IN JAKARTA

INDONESIA is Asia's only member of the Organisation of Petroleum Exporting Countries (Opec) and its most populous nation but, despite its wealth of natural resources, it remains one of the poorer nations in the developing world.

The country is already suffering from weak demand and poor prices for its commodity exports: in the first three months of this year these were down around 35 per cent compared with the same period in 1981. Now, the world recession has affected Indonesia's top export: oil.

Weak demand among its main overseas customers, coupled with Opec's production ceiling, has pushed Indonesia's production and exports down by around 20 per cent in the last few months. Fears that this could continue for the rest of the year are causing considerable alarm in Indonesian government circles over the country's mid-term economic prospects.

Oil plays a vital role in Indonesia's economy, accounting for around 70 per cent of the country's gross foreign exchange earnings and a similar proportion of government revenues.

Weak demand forced the Government to reduce output by around 8 per cent in the first three mooths of this year, from an average of 1.6m b/d per day in 1981 to 1.47m b/d. Starting from April 1, Opec imposed a production ceiling of 1.3m b/d and since then output has been running at around 1.26m b/d, down 21 per cent on last year's daily average.

Exports have fallen by a smaller amount, mainly because

OPEC IN CRISIS

INDONESIA

This is the sixth article in a series examining the effect of pressure on oil prices in selected producing countries.

the Government increased its imports at low spot prices thus allowing it to export more at the official government price. Nevertheless, Indonesia's oil exports, now running at around 850,000 b/d, are at their lowest level for nine years, and at least 200,000 b/d down on last year.

If the current level continues for the rest of the financial year (and it seems certain to do so for at least the first six months) foreign exchange earnings from crude exports would be US\$2.6bn (£1.4bn) less than last year's total of \$13.5bn. Dr Subroto, Indonesia's Minister for Mines and Energy, recently calculated that the Opec production ceiling would reduce projected government revenues by \$680m a quarter, or around \$2.7bn for the year.

In the short term, however, there is no great cause for worry. Careful fiscal management during the oil boom years of 1979-80 has helped push Indonesian reserves to around \$10.5bn now—the equivalent of almost six months' imports.

In addition, the Government is taking a number of measures which it says will enable it to increase development spending in line with the budget presented to Parliament in January this year. Improving tax colection, tapping surpluses currently lying unused in the bank accounts of state enterprises, and boosting non-oil exports as well as increasing commercial borrowing are just some of the measures which the Government says will allow it to increase development expenditure in real terms.

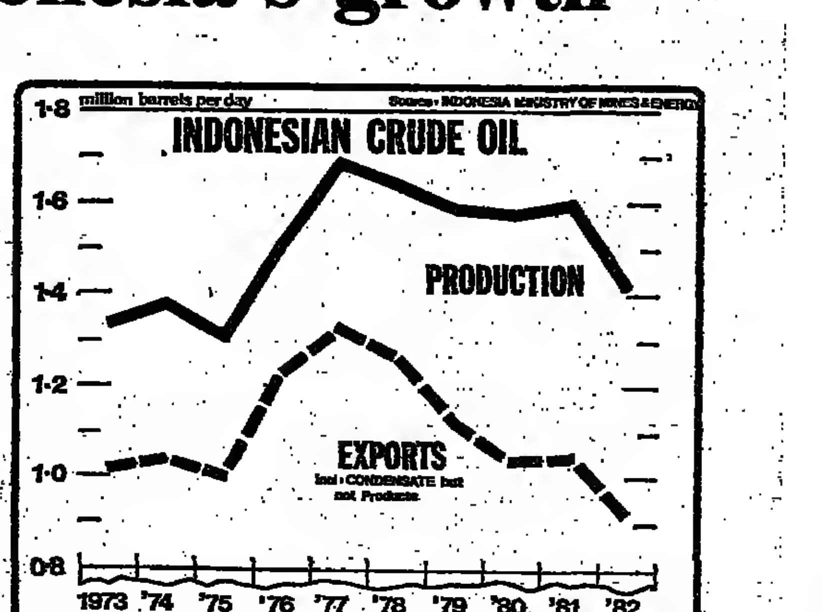
Barring a disastrous rice crop, there seems no reason why Indonesia's economy should not grow at more than 5 per cent in 1982-83.

If, however, the West does not begin to pull out of recession towards the end of this year and the market for Indonesia's oil and commodity exports shows no marked improvement, there seems little doubt that the Indonesian Government will have to slow down its economic development programme, with serious consequences for the country's 155m population.

Government budgetary outlays play a crucial role in the country's overall economic growth and provide the main link between the external export-oriented sector and the largely subsistence domestic economy.

The world recession has already led to a sharp reversal in Indonesia's external financial position. In 1980-81 the country was awash in a sea of oil money following the last Opec oil boom, and it recorded a \$2.5bn surplus on the balance of payments current account. Last year, however, this was replaced by a \$2.5bn deficit — an overall deterioration of \$5bn.

In 1982-83 the current account balance is almost certain to decline even further, with some economists predicting a deficit of up to \$4.5bn. Though the overall balance of payments position looks less worrying, the prospect of a cootinuation of this year's expected \$1.5bn deficit does have serious implications for the level of future government spending, even if—as is likely—Jakarta increases its level of foreign commercial borrowing. Bnt, with 3m new mouths and more than 2m new jobs to find every year any sizeable cut in government spending could have a serious effect, not only on overall economic growth rates, but also on the already high level of poverty.



According to preliminary figures, average daily production in April was 1.24m b/d, while average daily exports in April were 0.86m b/d

Nominal aid likely to stay level after World Bank meeting

BY RICHARD COWPER

WESTERN AID donors are expected to express their dismay at two controversial Indonesian government decress when they meet in The Hague today under the auspices of the World Bank to make their annual aid pledge to Indonesia.

But the meeting will be something of a milestone for the Indonesia Government. For the first time, the World Bank, in its annual report on the Indonesian economy, places Indonesia firmly in the ranks of its middle-income category.

According to the Bank, two years of economic growth have pushed up GNP per capite from U.S.\$370 in 1979 to U.S.\$521 in 1981.

But bere the self-congratulation will stop. Oil exports are likely to decline by at least 15 per cent in 1982-83 and non-oil exports are virtually static. The Indonesian economy is facing hard times.

Balance of payment deficits are likely to be much larger than thought just six months ago and the Government may bave serious problems in achieving target economic growth of 7 per cent.

The delegates, from 12 industrialised nations and five international agencies, are therefore likely to accept the recommendation of the World Bank that the nominal level of overseas development assistance be maintained at last year's level of around US\$1.9bn.

They will, however, be keen to point out, at least in private meetings, that Indonesia's controversial new counter-purchase and shipping policies are both discriminatory and unworkable.

Cuban military aid likely to be refused in the short term

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA IS unlikely to taka up immediately what it claims is an offer nf military assistance from Cuba, but has not ruled out changing its mind if the conflict with Britain worsens.

Sr Carlos Rafael Rodriguez, the Cuban Vice-President, said in Madrid over the weekend that hie country was prepared to become "fully involved" in the Kalklands crisis and would offer Argentina any assistance it wished. He was speaking nn his way to s Comecon meeting in Budspest.

However, Buenos Aires government nfficials returning from the meeting of the non-aligned movement in Havana have stressed the diplomatic rather than the military aspect of Argentine-Cuban relations.

Speculation that Argentina might be considering Cuban military assistance was fuelled by the presence in Havana last week of General Hector Iglesias, a senior adviser to President Leopoldo Galtieri. But rapprochment with Havana, as aired publicly by Sr Nicanor Costa Mendez, Argentina's Foreign Minister, is aimed principally at broadening the support of non-aligned countries for the Argentine cause at the United Nations, officials indicate.

The public emphasis of Cuban solidarity also appears to be part of Argentina's general diplomatic manoeuvring aimed at putting pressure on Washington to adopt a more neutral line. It is aimed particularly at strengthening the arguments of the "Latin Americanists" within the Reagan Administration who fear an escalation of the Falklands conflict, the eradication of the U.S. presence in Latin America, and growing Soviet bloc influence.

Argentine Foreign Ministry officials yesterday were privately expressing their delight nver tha debacle about tha U.S. veto at the UN last Friday, and the number nf votes backing the joint Spanish-Panamanian resolution which calla for an immediate ceasefire.

Caution over the acceptance of direct assistance from Cuba, and from the Soviet Union for that matter, appears to reflect pressure from more conservative elemnts within the armed forces, for whnm the thought of open military co-operation between Argentina and either Cuba nr Moscow remains anathema.

Cunard 'staggered' over return of troopship QE2

FINANCIAL TIMES REPORTER

THE Cunard Steam-ship Company voiced surprise and scarcely restrained delight yesterday at the news that their flagship, 67,000 tonnes QE2, is returning tn Britain.

The liner, whose main job was to disembark 3,000 tronps of the 5th Infantry Brigade on the Falklands, has not seen any fighting. The landings were thought to have been unopposed.

Mr Bernard Crisp, Cunard's UK Director, said: "We were very proud to be called upon to help, but we are relieved and grateful she's now coming hnme."

When he had been told the ship would be back in Southampton on Friday the news had staggered him, he said.

The four weeks that the liner has been out of normal action had cost its owners an "incredible" amount nf money. But he did not think customers had been permanently lost to other lines.

"Our prime aim now is tn get the ship back into impeccable conditinn," he said. The reconversion is almost certain to be dnne at Cunard's traditional UK ship repair home, Vosper Shiprepairers of Southampton, which carried out the original conversion of the liner into a troopship.

The work is expected tn take at least a month.

Cunard is understood to have taken some 3,000 photographs of the ship before her departure for the Falklands in order to back up possible claim to the Government for consequential loss.

Reagan and Pope talk on conflict

By Rupert Cornwell in Rome

PRESIDENT REAGAN yesterday examined with the Pope the prospects for an end to the Falklands war, hours before setting off on a two-day visit to Britain at which the south Atlantic crisia will he the dominating theme.

No details emerged from their 50 minutes of private discussions at the Vatican.

However the meetings could be an important element in tha efforts tn find a solution to the Falklands dispute. While President Reagan is now in London, John Paul II on Thursday leaves for his hastily arranged mission tn Buenos Aires, when he is likely to meet President Leopoldo Galtieri.

Yesterday's official statements in puhlic gave little clue to the suhatance of the discussions. President Reagan spoke generally of the mutual concern of Washington and the Vatican over avents in the south Atlantic.

The Pope agaln emphasised his overriding preoccupation with the peace of the world, threatened hy acute tenslons in the south Atlantic, hy the war hetween Iran and Iraq, and now Israel's invasinn nf Lehanon.

Workers put in overtime

Overtime of ten-hour shifts is being worked hy 100 employees of James Smith and Co. at their works in Drewry Lane, Derhy, to produce waterproof uniforms needed urgently by the British task force fighting in freezing conditions.

More than 2,000 items have already been despatched by the uniform manufacturers to the South Atlantic.

● Vice Admiral Sir Lindsey Bryson, the Controller of the navy, has thanked Rolls Royce workers at Ansey, near Coventry, for their service to the Royal Navy in the crisis. He praised their increasing efforts for Olympus and Tyne engine prodnction, and their very prompt response to the many demands for spares.

There was also a tribute from the Royal Navy and the RAF headquarters in West Germany who said the Pegasus-powered Harriers had out-fought and outmanoeuvred the best nf Argentina's supersonic and subsonic fighters.

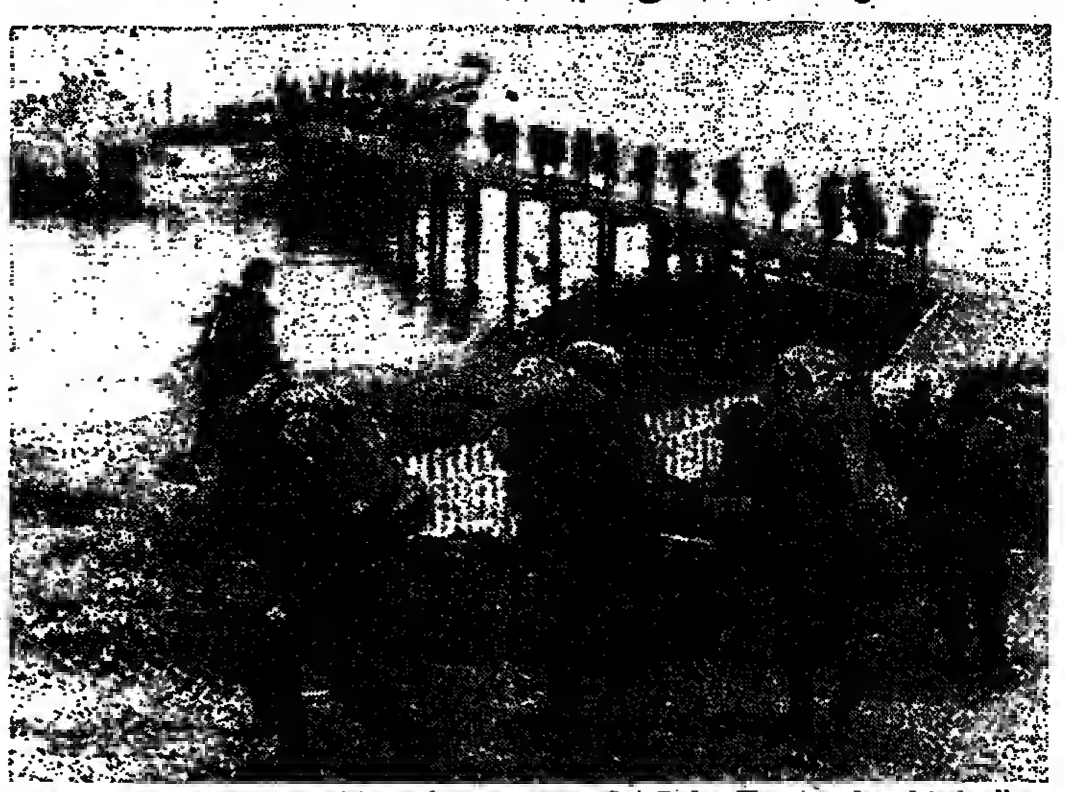
Jimmy Burns, in Buenos Aires, reports on improving prospects for political changes

Argentine armed forces jockey for position

AS ARGENTINA braces itself for a bloody battle at Port Stanley and for a possible escalated conflict leading eventually to a hitterly negotiated settlement with Britain, the military junta is under increasing pressure from politicians to cede at least part of its monopoly of political power. What will happen "after the war" has virtually replaced "the war" as the focus of political debate.

The pressures were already building up before the military invasion of the Falklands on April 2. They were temporarily submerged beneath the nationalist euphoria that followed immediately afterwards.

But more recently the junta has been forced by events to modify many of its policies, particularly in foreign policy and economic fields, bringing it into line with what has been demanded in the past by the bulk of the opposition parties. What a few weeks ago was anathema to the military regime has now become acceptable, publicly at least, as was epitomised in the photograph of Sr Nicanor Costa Mendez, the Foreign Minister, warmly hugging Fidel Castro.



Troops of the 5th Infantry Brigade going ashore near San Carlos. They transferred to landing craft from the liner QE2

Officially, Argentina has achieved a new national onity as a result of its struggle against Britain. But beneath the surface, the Falklands crisis has opened up a Pandora's box of vested interests, and there are wide differences about what the scope and depth of further change should he.

Sr Deolindo Bittel, the president of the ultra-nationalist Peronist Party, has drawn up an ambitious proposal for greater civilian participation in government.

The plan involves the election of a civilian Prime Minister by an ad hoc grouping of generals and politicians. The junta would be allowed to continue as a collegiate executive hranch, but the new Prime Minister would be entrusted with forming a more representative Cabinet to lead Argentina through a transition phase and full elections in two to three years' time. Implicit in the plan is the replacement of Gen Leopoldo Galtieri by a more clearly defined populist figure.

This acceptance by the Peronist leadership of what amounts to a new civilian-military alliance is traditionally rooted in the party philosophy—the party's founder, Juan Peron, was first and foremost a general who courted civilian support.

But the plan presupposes the existence of a Peron figure at a time when the current batch of aspiring populist military figures lack either sufficient military support or the assured backing of influential civilian sectors.

Flirtation

The more middle-of-the-road Radicals, the other main political grouping in Argentina, have never shared the same flirtation with the military. Sectors within the party are pressing for a less ambiguous political liberalisation, involving the replacement of a junta by a civilian president. Sr Arturo Illia, Radical president of Argentina between 1963-66, is being brandished as a possible transition leader.

Draft political plans have been discussed at several private meetings between military officers and politicians in recent weks. At the same time, the army, which has for years jealously guarded its position within the armed forces as the main forger of political changes, has formed a think tank of general entrusted with formulating an amended political programme for the post war period.

Reports of major splits within the junta are exaggerated. Had its members really been at each other's throats from the early days of the Falklands crisis, it is doubtful whether the armed forces could have sustained a relatively successful defence of the islands, or that domestic politics could have survived without a palace coup or something similar.

But beneath the solid military exterior, the collegiate rule of the juota does appear to be the strain of a war which gets more messy by the day.

The course of the crisis has upset a delicate power balance within the military structure. This has traditionally rested on an all-powerful army, from which successive presidents have been drawn, a less powerful but nevertheless intellectually influential navy, and a politically less significant air force.

This balance had remained unaltered for most of this century—until April 2, when the armed forces became involved in their first international war. Previously, the role of the military was defined within the parameters of domestic politics.

As the Falklands war has developed, the branches of the armed forces have been jockeying for new positions.

The Argentine Air Force, thanks to the exploits of its pilots, has found a prominent place in public opinion and, probably for the first time in history, has begun to make its voice heard politically.

Participation

The most important political statement to have come out from within the junta recently has been issued by Brig-Gen Basilio Lami Dozo, the air force chief. He said that once the war was over the military would have to consider seriously a change of economic policy as well as a greater participation in decision-making by civilians.

Indicative of the air force's newly-won prestige is the monument raised to it two weeks ago—the first dedicated to any branch of the armed forces since the outbreak of the war. The picturesque and popular Plaza Britannia, site of the imitation Big Ben clock tower in downtown Buenos Aires, has been renamed Plaza de la Fuerza Aerea (Air Force Square).

The navy, however, is unlikely to give up its second place in the military ranking without putting up some resistance. Navy officers will argue that it was their infantry which first set foot on the Falklands, their conscripts who were heroically sacrificed in the General Belgrano and their aircraft which, with Exocet missiles, sank HMS Sheffield.

More equivocal has been the role of the army. The changes of policy provoked by the Falklands crisis have stirred old rivalries and confused priorities.

The army hierarchy which pulled off the 1976 coup was essentially made up of "liberal" officers—pro-Western in foreign policy and military alliances, virulently anti-Marxist in its domestic politics and defenders of the free market on the economic front.

Events of the past few weeks have strengthened the hands of those "nationalist" officers who favour the opposite. Many see the attraction of Sr Bittel's civilian-military alliance, but a number are doggedly committed to the "process" initiated in 1976 and insist that it is the military which should keep firmly in control, at least until March 1984, the date when President Galtieri's current term expires.

Gen Galtieri himself remains a political enigma. It is hard to believe that, having so warmly courted U.S. military officers just before he assumed the Presidency last December, he is now the junta member most openly entertaining the idea of Soviet military assistance.

Much political uncertainty also surrounds the attitudes of military officers most directly involved in the Falklands fighting. Those who have been experiencing harsh conditions in the front lines and who have been projected by the government propaganda machine to heroic heights may well be tempted by the prospect of political power—or at the very least of having their demands listened to—once they return to the mainland.

Gen Mario Benjamin Menendez, the military governor of Stanley, is already seen by some as the new Gen San Martin—the hero of Argentina's 19th century war of independence.

AMERICAN NEWS

Campaign for ERA enters final phase

By Our Washington Correspondent

THE CAMPAIGN for a constitutional amendment to guarantee equal rights in all fields of law for women entered its final, desperate phase over the weekend as the June 30 deadline for ratification of an Equal Rights Amendment drew near.

Supporters of ERA need three more states to ratify the amendment by that date and Sunday saw massive demonstrations in Springfield, the state capital of Illinois, the only industrial state not to have voted for ERA so far.

In addition to the demonstrations, seven women have gone on hunger strike in Illinois, vowing not to eat until the state legislature ratifies the amendment.

This tactic has alienated some legislators who had previously supported the amendment but fear that a precedent might be set for other special interest groups.

Other states in which ERA supporters are mounting last ditch campaigns for ratification are Florida, North Carolina and Georgia, where ex-presidents Jimmy Carter, Gerald Ford, Richard Nixon and their wives had all campaigned for the amendment.

UNDP suffers heavy loss

GENEVA — The rising dollar cost the United Nations Development Programme $75m last year and the loss could be even greater this year, Mr Bradford Morse, UNDP administrator Bradford Morse said yesterday.

California opens election season

BY ANATOLE KALETSKY IN WASHINGTON

THE U.S. election season swings into action today as the polls open in California, the largest state in the union, for the primary election. Voters will choose the Democrats and Republican candidates who will stand for senator, governor and a host of lesser offices in the final election in November.

The candidates for senator present a bewildering variety of political options and personalities with exceptional "name recognition" factors," including Governor Jerry Brown, writer Gore Vidal, Mr Barry Goldwater, Jr., and even President Reagan's daughter Maureen.

Opinion polls indicate, however, that voters will select professional politicians from both parties and in the process deliver something of a rebuff to the conservative movement in this key state.

Mr Goldwater, son of the right-wing senator from Arizona who contested the presidency in 1964 against Lyndon Johnson, had been considered an easy winner in the Republican race until a few months ago.

Since then he has faced a strong challenge from another extremely well financed candidate even further to the right, Mr Robert Dornan, and his decisive lead began to disintegrate amid charges that he lacked intelligence and independence from his father's thinking. He was also accused of being soft on moral issues such as homosexuality and abortion.

But as the election drew nearer, Mr Dornan, too, appears to have lost ground and the clear front runners now are two moderate Republicans, Mayor Pete Wilson of San Diego and representative Paul McCloskey.

A victory for either of them in the Senate primary will be a clear setback for the "moral majority" and something of a setback for resurgent conservatism in the state that launched Ronald Reagan in politics.

In the Democrat's senate ace, Governor Brown is the clear leader. Despite his reputation for somewhat bizarre political ideas—he once proposed that California should have its own independent space programme, for example—and his controversial personal life, including a much-publicised relationship with singer Linda Ronstadt, Mr Brown sees a senate seat as a launching pad for the U.S. presidency.

If he succeeds in winning the Democratic nomination, he stands a good chance of getting to the Senate and could become a serious presidential contender in 1988 or later, after establishing himself as a national politician.

In addition to voting for political candidates, the electors will be deciding today on a number of controversial referendum issues, including the construction of a multi-billion dollar "peripheral canal" to carry water supplies from northern California to Los Angeles and San Diego and a proposal by Mr Howard Jarvis, the anti-tax campaigner, to limit the state's ability to raise taxes more rapidly than inflation.

Costa Rica to strengthen controls over immigrants

THE COSTA RICAN Government has announced it will strengthen controls over the estimated 220,000 foreigners living inside the country, AP reports from San Jose.

Public Security Minister Angel Edmundo Solano has said an estimated 60,000 aliens who have entered the Central American country illegally will be investigated by immigration officials.

They will be required to apply for the necessary documents and if any refuse they will be deported.

Anyone classified as "undesirable" will also be deported, Edmundo Solano said. But he did not say what criteria would be used to make that determination.

He indicated that the 5,000 Cubans who entered Costa Rica with the hope of later gaining entry to some other country, in most cases the U.S., would receive special consideration.

● The army in El Salvador pledged to defend the U.S.-backed "land to the tiller" agrarian reform programme in a land-title ceremony at the weekend. However, evictions of the programme's tenant farmer beneficiaries continued, AP writes from Santa Tecla.

After a speech by army Chief of Staff Colonel Rafael Flores Lima, 500 peasants were given provisional titles to the small plots of land they had claimed from their former landlords under the programme.

But the Popular Democratic Union, a coalition of peasant organisations, said many landlords, emboldened by the right-wing election victory, have started to evict peasants from land claimed under the programme. Nearly 10,000 have been evicted, according to the union.

U.S. steel companies seek talks on labour contract

BY RICHARD LAMBERT IN NEW YORK

U.S. STEEL producers in an unprecedented move, have asked the United Steelworkers' Union for early talks on the basic labour contract which covers some 250,000 workers.

The request has prompted speculation that the steel companies will seek to renegotiate terms of the present three-year contract, which expires in August 1983.

In response, the union has called a meeting on June 18 of its executive board and some 600 local union presidents who make up the basic steel industry bargaining conference.

Under normal conditions, preliminary talks on a new contract would have started around the end of the year, with hard bargaining getting under way next spring.

The industry's eight company bargain group, however, evidently believes that the current crisis in the U.S. steel industry calls for the more urgent measures.

The steel companies recently made a formal presentation to union leaders, giving detailed comparisons between labour costs in the U.S. industry and its international competitors. of the U.S. steel

Employment of hourly paid workers in the industry has fallen to its lowest point for at least 50 years. Total compensation for an hourly paid worker, including pensions and other benefits, now amounts to a little under $22 an hour.

As well as the workers directly covered by the basic contract, any renegotiation would also affect another 80,000 or so workers whose employment terms follow the main industry settlement.

Wall St markets jittery after Drysdale default

BY DAVID LASCELLES IN NEW YORK

WHEN Marine Midland Bank, the large New York bank owned by the Hongkong and Shanghai Bank, announced last Friday that it had been forced temporarily to suspend dealings with Comark, a small securities trading outfit in California, Wall Street reacted with predictable shock.

With memories of the Drysdale affair still fresh, no one wants to hear of any more dealers in difficulty. As it turned out, the Comark problem was quite differeot from Drysdale (it ceotred on the validity of collateral Comark put np for a loan) and it was all sorted out in 24 hours. But it showed how jittery the markets have become.

The post-mortem into last month's Drysdale default is still under way, but it has already prompted Wall Street to take a hard look at its trading practices — and trading partners. At a different level, people also view the affair as another sign of the damage that high interest rates are doing to the U.S. financial fabric.

"None of this would have happened five years ago," said a seasoned trader. "Some people find these interest rates irresistible."

Although Drysdale's finances have still not been completely untangled (some of its chaotic records were apparently kept in ahoe boxes), it now seems clear that it came to grief trying to exploit a couple of unusual quirks in Wall Street trading practices. These enabled it to divert other people'a money — quite legitimately — into its own account and then speculate with it.

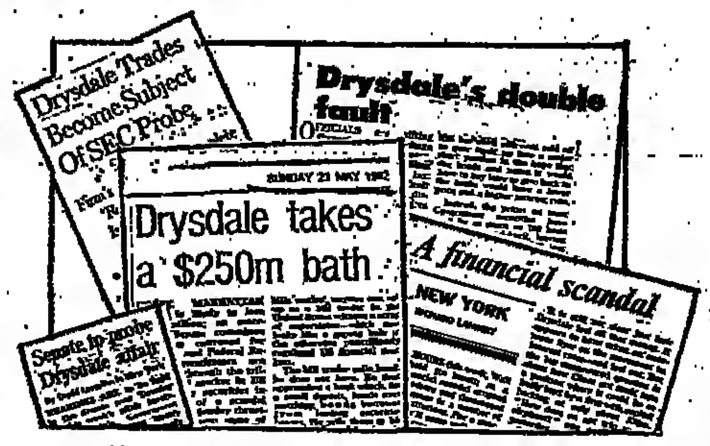
Drysdale was borrowing bonds from financial institutions for a small fee and then selling them "short" in the market hoping to buy them back later at a profit.

But, regardless of how successful the short sales were, Drysdale could guarantee to generate some cash for itself by picking up the accrued interest on the borrowed bonds that it sold. It did not have to put up collateral against this interest (which belonged to the securities' owners) and did not have to account for it until the Treasury coupon date, which could be several weeks away. So it had effectively generated "free" workiog capital.

Unfortunately, Drysdale gambled its gains away, possibly as much as $300m (£166m) worth, and was uoable to pay the money back when the time came. The lenders stood to loose because Drysdale had not put up collateral against the interest.

As it happened, the three banks, Chase Manhattan, Manufacturers Hanover and U.S. Trust, who had helped Drysdale assemble the borrowed securities, agreed to foot the bill, but they did it grudgingly and may still sue to recover the money. Chase which paid the biggest share, expects to lose as much as $135m after tax.

It may seem astooishing that in a tough market like Wall Street, such a loophole should exist. But modern-day trading conventions evolved in the days when interest rates were much



lower and accrued interest was so small that nobody bothered about it when lending securities out. Today, however, treasury bonds carry coupons of 14 per cent, which means that a sixmooth coupon on a $1,000 hond is worth $70.

Drysdale had "shorted" 4m such bonds. According to Mr Anthony Solomon, the president of the New York Federal Reserve testifying to congress: "Its activities were conducted on a scale out of all proportion to its capital."

> The post-mortem into last month's Drysdale default is still underway, but it has already prompted Wall Street to take a look at its trading practices —and trading partners. It is also viewed as another sign of the damage high interest rates are doing to the U.S. financial fabric.

Within days of the affair, Wall Street government securities traders had got together to see what should be done. They proposed that, in future, horrowers of securities be required to put up collateral not just for the value of the bond but for the accrued interest as well. Some traders object to this idea, however, hecause it would add enormously to their paperwork.

Aoother issue which has to be resolved ia the exact role that the banks play in securities lending. Part of the crisis stemmed from Chase's initial refusal to accept liability for Drysdale's debts because it was acting as agent, not principal, in the transaction.

Wall Street bond dealers are adamant, however, that while there may be no hard and fast rule, there is a convention that banks act as principals in these so-called "blind broking" deals when, as in the Drysdale case, Chase did not say to whom it was leoding the securities.

This issue, which proved so costly to Chase, may yet be fought out in the courts. Meanwhile, it has cast a pall of mistrust over Wall Street's normally clubby bond-dealing community.

"There are only 36 big boys in this business and we all know each other well," said one of them. "But you can bet we are all going through our credit files right now." Several investment companies suspeoded their dealings with Wall Street for as much as two weeks while they ran a credit check on their clients. Some brokerage firms felt obliged to send ont circulars saying what their capital was and who they were audited hy.

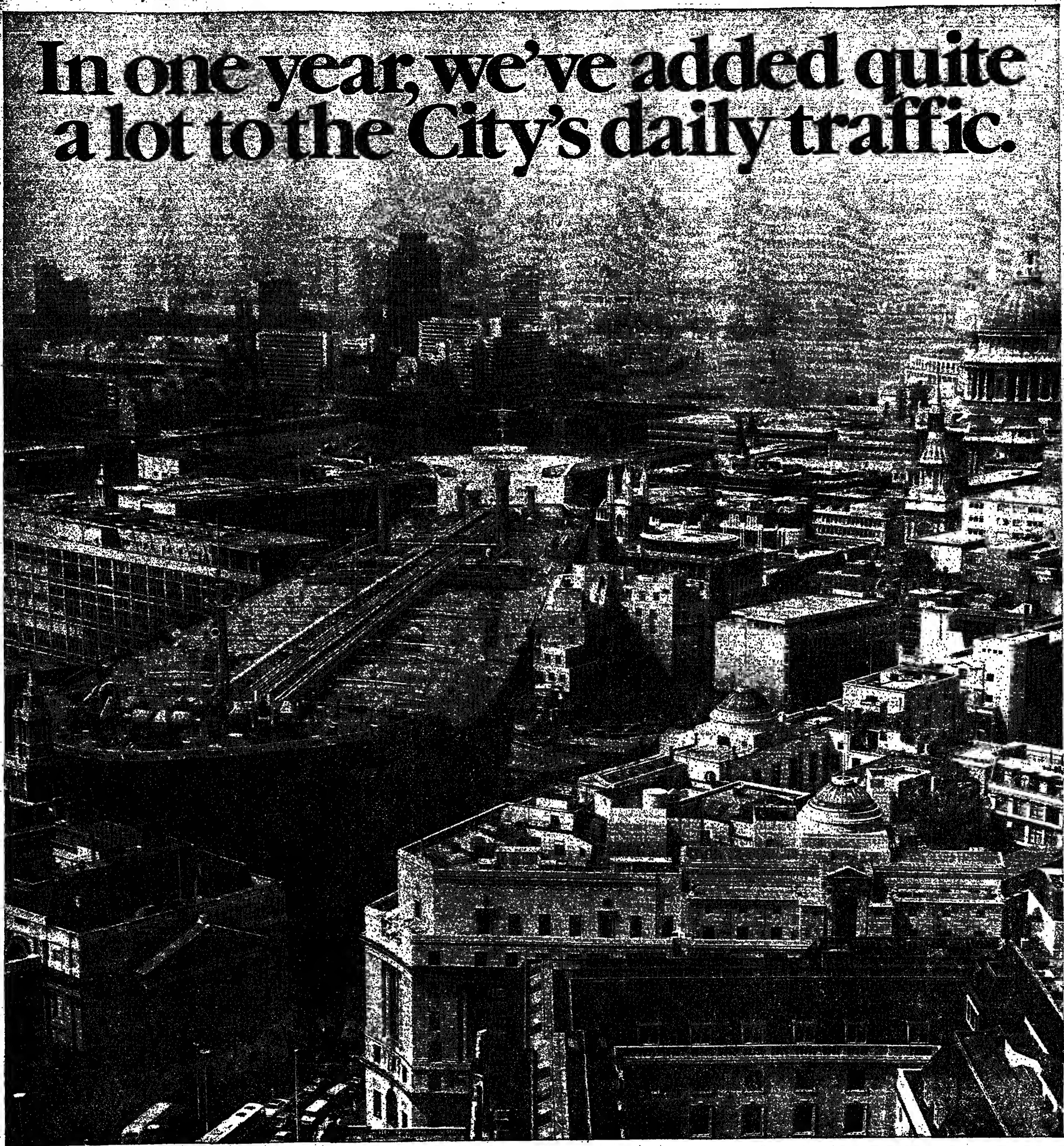
The Federal Reserve has been watching closely because of the importance of the huge $750bn Treasury securities market, where the Treasury finances its burgeoning deficit and the Fed itself implements monetary policy.

Fed officials support the idea of changing collateral rules for borrowed honds, but they are reluctant to tighten regulations hecause that might reduce the market's liquidity and drive up interest rates. They insist that Drysdale was a one-off case and no reason for a massive crack-down.

The Fed is also concerned about hlind brokering, which it believed sharpened the crisis. Without taking sides in the Chase dispute, officials say that participants io the market must know for certain who it is they are dealing with.

Mr Solomon raised questions ahout the quality of controls at Chase in his testimony, and Wall Street is still buzzing with speculation over how Chase could have allowed itself to hecome so exposed to Drysdale. One theory is that the securities job—a comparatively tedious one involving a lot of paperwork—was assigned to too junior a person who had no idea what was going on.

Chase has still to tell the full story, and it may withhold it pending any legal action it decides to take.



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China approves foreign backed joint ventures

BY TONY WALKER IN PEKING

MORE THAN 40 joint ventures utilising foreign investment totalling some $189m (£103m) have been approved by the Chinese Government, an investment symposium was told yesterday.

Mr Wei Yuming, vice-Minister of Foreign Economic Relations and Trade, addressing the opening session of an investment promotion meeting in Canton sponsored by the UN Industrial Development Organisation and the Chinese Government, said considerable progress had been made in attracting foreign investment.

The investment promotion meeting is aimed at encouraging foreign participation in a range of ventures most of which involve technical upgrading of existing enterprises.

Mr Wei listed areas in which China would like to see a greater degree of foreign business participation as energy, textile and light industries, food processing, pharmaceuticals, electronics, building materials, telecommunications, animal raising and breeding and tourism.

Madam Chen Muhua, China's Minister for Foreign Economic Relations and Trade, assured visiting businessmen that China was committed to a long-term open-door policy.

"We hold that with the present high level of technology, no country in the world possesses the resources and funds needed for the development of its economy . . . every country must make trade-offs for its needs," she said.

Madam Chen described the Unido meeting as a "useful attempt" at promoting international economic co-operation. She sought to reassure visiting businessmen that the present anti-corruption campaign would not be allowed to interfere with China's open-door policy.

Some foreign businessmen are complaining that Chinese officials have been "scared off" by the anti-corruption campaign and are proving reluctant to get involved in business negotiations because of fears that the finger of suspicion might be pointed at them.

Meanwhile, European trade officials in Peking are preparing for a visit by M Etienne Davignon, vice-president of the European Commisison. M Davignon is expected to raise with Chinese officials European concern about the Community's reduced share of the China market in the past several years.

In 1978 the Community's share was 17 per cent, rising to 18 per cent in 1979. Last year it fell to 11 per cent. Projections for this year show a likely further slippage in the EEC's share of the China market.

EEC exports to China last year totalled about £2bn. Chinese exports to the Community reached £2.3bn, according to unofficial estimates.

The official contrasted the Community's performance with that of Japan, which last year took a 27 per cent share of the China market, and the U.S., which accounted for 18 per cent in 1981, up 7 percentage points from 1978.

The main reason for the declining Community share of the China business is that the Chinese policy of readjustment has reduced demand for European steel products and machinery.

Japan to ease car import entry

By Paul Cheeseright in Tokyo

The Japanese Government will shortly announce new measures designed to ease the problems of foreign car importers. But they are unlikely to benefit Leyland Japan, the BL-Mitsui joint venture company which handles Jaguar, MG and Rover sales.

The measures, which will simplify inspection and documentation procedures for companies handling small volumes, were expected on June 1, importers said yesterday.

They are part of the Japanese Government's plan to liberalise imports, in the face of pressure from Western trading partners, and originate in the first package of decisions to improve market access which came out in January.

But importers expect the changes to lack substance because of the small number of car imports which will qualify for the new procedures.

Cars imported into Japan — and other markets — need either designated type approval on non-designated type approval.

Under the first, quality checks to ensure that the car meets the standards of the importing country are carried out in the plant of origin but, under the second, each car is individually inspected on arrival. The first system is usually used when sales are of high volume and the second when sales are of low volume.

The new Japanese system is expected to permit entry of cars without the arrival inspection procedure and with a reduced amount of documentation when model sales are up to just 100 a year.

This is seen as interpreting the idea of low volume car imports in the narrowest way.

Truck market 'faces testing decade'

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE WORLD market for trucks of six tonnes and above would not pick up to the levels of the mid-1970s before the end of the decade, one of the industry's leading component suppliers said yesterday.

Mr Bob Gillison, president of the truck components division of the Eaton Corporation, which is a supplier to most of the world's truck builders, said the depressed situation in the large U.S. market was a particular long-term trouble spot.

But truck building is likely to rise in the U.S. during the second half of this year because of shrinking stocks. This is also likely to happen in the UK.

Mr Gillison was speaking at the formal opening of a new Manchester manufacturing plant for the transmission division of Eaton Limited, the UK holding company of the U.S. corporation.

Eaton, whose output includes gearboxes, axles and brakes, has a worldwide transmission capacity of 300,000 units a year. But it is currently utilising only a third of its installed capacity in its U.S. plants and about 70 per cent at its European sites.

Nevertheless, Mr Gillison said the company was bullish towards the market partly because new trucks were coming on stream and were using Eaton components.

The company had originally forecast a 5 per cent fall in truck production this year compared to last year. But that has been revised to 10 per cent.

It believes the market in Italy will probably be slacker in the second half of this year compared to the first half and this would probably also be the case for France.

Mr Gillison predicted that West Germany's domestic truck market would begin climbing out of recession next year or the year after, but that the country's outstanding export performance will soon begin to diminish very significantly.

The Japanese were generally beating German manufacturers in export markets other than those in which companies like Mercedes Benz had manufacturing plants. "The Japanese are not frightened of the Germans but the Germans are paranoid about the Japanese," he said.

One issue that component manufacturers were watching, said Mr Gillison, was whether builders like Mercedes Benz would be able to maintain their policy of manufacturing as many components as possible in house, including transmissions.

The number of truck makers would undoubtedly shrink, he said. It was still unclear though who "the losers" would be, and whether they would be taken over by bigger manufacturers ready to spread their research base or would simply be driven out of business.

Marconi wins $23m export order

By Lynton McLain

MARCONI AVIONICS, part of the GEC group, has won a further order, worth $23m (£12.6m) from General Dynamics for the Marconi head-up display system—for the F-16 fighter aircraft. The computer-controlled display system provides pilots with data on navigation and information for aiming weapons.

The contract was announced yesterday as Mr Patrick Jenkin, the Industry Secretary, handed over the 1,000th head-up display for the F-16 aircraft at a ceremony in Rochester, Kent, the headquarters of Marconi Avionics.

The order brings to £500m the total value of export contracts for Marconi Avionics equipment won in the past decade.

The avionics equipment includes nearly 5,000 head-up display systems for 40 different types of aircraft—more systems than the total combined production of the rest of the world, Marconi said yesterday.

The head-up display system for the General Dynamics F-16 aircraft was ordered into production in 1976 and is now in service with seven operators, including the United States Air Force.

Marconi Avionics is responsible for the design, production and supply of the completed head-up display systems for the F-16.

Sub-contractors for the system include Oldelft of Holland and Kongsberg Vapenfabrikk of Norway.

Marconi Avionics has increased the proportion of its total sales going for export from 41 per cent to 54 per cent over the past year. But Britain as a whole has a trade deficit in electronics equipment. This deficit was £300m in 1980 despite total UK output of electronics of £7.7bn, according to the National Economics Development Council.

Dual edge of Indonesia's shipping decree

BY RICHARD COWPER IN JAKARTA

THE INDONESIAN Government's recent decision that all imports and exports of Government-owned goods are to be carried by domestic shipping lines could result in a sizeable loss of earnings by foreign shipping companies. But it is also likely to push up sharply the cost of Indonesian imports and make Indonesia's exports less competitive on the world market.

Economists are arguing that the controversial new shipping decree, if fully implemented, may eventually deprive foreign shippers of around $600m a year, at current prices, in lost revenues. However, if Indonesia were to try and ship these goods itself freight costs could be as much as 30 per cent higher because of Indonesia's lack of an integrated world-wide shipping network and the relative inefficiency and lack of experience of Indonesian shippers.

Not surprisingly, however, the 23 foreign shipping companies based in Jakarta have been less concerned with the likely effect on a hard-pressed Indonesian economy than they have with the impact on their profit margins.

The decree, which came into effect on April 12, has brought forth a storm of protests from both foreign shippers and their goverments. It has already prompted the U.S. Government—itself widely criticised for protection of U.S. shipping interests—to send a pointed, *aide memoire* to the Indonesian Government calling for the suspension of the decree pending consultations.

In the absence of such discussions the U.S. Government says it would have no choice but to take retaliatory measures, which could involve limiting the number of Indonesian vessels calling at U.S. ports. The EEC—slower to react—is now contemplating a similar protest.

Indonesia regards such protests as unjustified. Officials point to the Unctad guidelines on "fair" cargo sharing, arguing that Indonesia is well within its rights to attempt to boost the domestic share of foreign trade to 40 per cent from what they believe is currently around 25 per cent. They are particularly concerned at being able to increase their 10 per cent share of two-way trade with the U.S. which is Indonesia's second largest trading partner after Japan.

Few would quarrel with Indonesia's desire to improve its market share. But almost all agree that the scheme, as envisaged, is unworkable, legally questionable, and from Indonesia's point of view, uneconomic.

The decree stipulates that "all export and import commodities owned by the Government of Indonesia will be carried by vessels operated by Indonesian companies." If such ships are not available Indonesian national carriers may arrange for foreign charters.

The decree, as it stands, allows no waivers for goods financed by foreign aid or loans. According to some foreign governments this is unacceptable international practice. Both the U.S. and France, for example, stipulate that at least a proportion of goods financed by official export credits should be carried by their respective national carriers.

Foreign shipping executives and Indonesian Department of Communications officials say that around 35 to 40 per cent of total two-way Indonesian trade, estimated at around 112m tonnes in 1980, is Government-owned, and is liable to be affected by the decree. If this figure is correct then around 42m tonnes is Government-owned, more than 60 per cent of which is currently carried by foreign shippers. Indonesian shipping lines would, therefore, be required to carry an additional 21m tonnes or so each year.

At least 30 or so Indonesian shipping companies operating international routes are currently making heavy losses, and there is little doubt that if the decree was fully implemented freight rates on Indonesian Government-owned goods would have to be significantly higher.

Hanyang signs $192m deal with Saudis

By Ann Charters in Seoul

HANYANG CORPORATION has just signed a $192m contract with the Saudi Royal Commission of Jubail and Yanbu to build a complete residential complex near Yanbu.

The company will build 1,180 apartments and town houses, together with shops and underground utilities.

With this project, Hanyang Corporation has construction contracts valued at $1.8bn in Saudi Arabia alone.

The company's total contracts in the Middle East are $2.4bn—with projects in Kuwait, Iraq, Libya and Nigeria, according to Mr Yu Kun Sang, manager of Hanyong's overseas division.

● Agencies add from Jeddah: Dong Ah has won a contract worth $184.9m (633m riyals) for a water and sewage network in Taif, Saudi Arabia. The contract, awarded by the Saudi Western Region Water and Sewage Authority, involves 884 km of potable water, sewage and storm drainage pipes to be completed in three years.

Government to review industry standards policy

BY DAVID DODWELL

LORD COCKFIELD, Britain's trade secretary, yesterday announced plans for a major review of industrial standards policies in Britain. The aim is to enhance the quality, reliability and export competitiveness of British products.

The review may lead to the Government authorising a "national mark" for all goods meeting required standards. It may also lead to a national register of firms whose management systems have been assessed and approved by large-scale government purchasers, and by bodies like the British Standards Institution (BSI), the national standards-making body.

The BSI has been asked to review all national standards. The Government is also about to publish a consultative document on standards policy. Copies should be available before the end of July.

Apart from encouraging the wider use of strong standards, which Lord Cockfield described as "a pre-requisite of successful competition in world markets," the Government will be asking nationalised industries, public corporations, public regulatory bodies and purchasing authorities to relate their needs to standards.

This move will put considerable pressure on private industry to enforce new and stronger standards as and when they are introduced.

The policy outlined by Lord Cockfield is strongly influenced by West German experience, where a strong national standards system has been in operation for many years.

This policy is widely believed to have played an important part in ensuring Germany's excellent reputation as an exporter, and has aided its export performance in recent years.

Government officials do not expect to be able to adopt the German system wholesale, "but we can move a good way towards it without changing existing laws, and by using Government influence where possible."

Incomes policy 'could cut dole queues by 1m'

THE Social Democratic Party's Economic Policy Group has proposed a permanent incomes policy in support of measures to reduce unemployment by 1m, which it says could be achieved within two years.

The proposals come in the front of the party's Green Papers, previewed in the Financial Times on April 22 and published yesterday.

The 34-page paper discusses a shift in macro-economic policy from the present Government's approach, special measures to contain unemployment, and different types of incomes policy.

The paper will now be discussed during the summer by SDP area parties and by groups outside the party before being revised and submitted for approval as official policy to the SDP's ruling Council for Social Democracy at its first meeting in Great Yarmouth in October. That meeting will also consider a draft paper on industrial strategy and one other.

The industrial strategy paper will be produced by the end of this month, with papers on industrial democracy and trade union reform in July and on taxation and social security in August.

The economic paper has been prepared by a committee chaired by Mr Roy Jenkins with Mr John Horam, the MP for Gateshead West, also playing a major part.

The central theme of the paper is that the Government's approach has been unnecessarily destructive while the Labour Party has failed to face up to the problem of how to expand without accelerating inflation.

Peter Riddell reviews the SDP's Green Paper on the economy

The underlying, though unstated assumption of the analysis is Keynesian, while taking into account the view that money cannot be ignored. Some of the views are not dissimilar to those of many Treasury and Bank of England officials.

The SDP advocates a concentration on a balance of separate real objectives for output, employment and prices and not just one objective, such as reducing inflation. It would not treat intermediate targets—such as public borrowing and the money supply—as of central importance.

The group wants to see an expansionary budgetary policy designed to increase capital investment and to keep down costs and prices including, for example, a cut in value added tax to 10 per cent, abolition of the national insurance surcharge, and moderation in nationalised industry pricing. These measures might be adopted in two or three successive budgets, cutting unemployment by 400,000 over two years.

Special employment measures focused on the hardest hit groups — the long-term unemployed, the young, those aged over 55, and women—could reduce unemployment by 600,000 says the paper. Apart from these ready-reckoner figures, there are no detailed estimates of the impact of the proposed measures on the economy.

Monetary policy should aim at keeping interest rates as low as possible within the limits set by international conditions, says the group. Both fiscal and monetary policies should be used via exchange rate objectives, to move towards full employment.

The exchange rate should be set so as to maintain the competitiveness of UK producers against overseas rivals, ensuring that the current account is kept in balance over the medium term. The reserves should be used to iron out any temporary pressures.

An attempt should be made to secure general agreement in Europe on measures for an economic expansion and the promotion of employment, and negotiations should be held about the possibility of joining the European Monetary System, says the paper. The group believes sustained expansion will depend on establishing some form of incomes restraint. Expansion would be focused particularly on boosting employment.

The paper states that the general approach "makes it not impractical to aim at reducing unemployment to the level which it was when Mrs Thatcher came to power—5 per cent—over the lifetime of a full parliament." This compares with just under 12 per cent for adults now.

Budgetary policy would be set to deliver output and employment targets only if the inflation constraint was not endangered by excessive wage demands.

The paper says pay restraint will involve a national forum in which pre-pay round discussion can take place on the basis of the best available forecasts for the economy; a structured approach to public sector pay, particularly in those services where the Government is the direct employer, and some means of restraint in the private sector, though excluding smaller companies.

The policy would have to be permanent and flexible, must be seen to be fair but cannot be entirely voluntary.

The policy group lists three broad options—

● Re-establishing a central pay board which would administer a general guideline and consider exceptions—in effect, a revamped Prices and Incomes Board.

● Extending the use of arbitration, and introducing tax incentives for the commercial sector.

● A minimalist approach with a fully-worked out structure in the public sector combined with an agreed voluntary guideline in the private sector.

The paper states that the second option has some advantages in principle, but all three will need further consideration. A special conference is being held with trade unionists and business managers on this issue in mid-July.

Mr Jenkins described the arbitration inflation tax idea as having advantages in principle as the "most exciting and novel."

The paper stresses that pay restraint in the private sector should allow decision-taking to continue to be decentralised and to work in sympathy with, rather than in opposition to, market forces.

Towards Full Employment: A Commonsense Approach to Economic Policy, SDP Green Paper Number 1, available for £1, including postage, from SDP, 4 Cowley Street, London, SW1P 3NB.

Net imports of energy forecast by 1990s

By Ray Dafter, Energy Editor

BRITAIN IS likely to become a substantial net importer of energy in the 1990s, according to a study published today.

Although the UK is producing a considerable surplus of crude oil and coal, in a few years it will begin to rely on net imports again, says London-based consultants, DRI Europe.

The turn-around would arise mainly as a result of the depletion of the UK's coal and gas reserves. But the National Coal Board could also find itself competing against rising imports of steam-coal.

UK oil production, just more than 89m tonnes last year, should rise to a peak of 111m tonnes by 1988 and slide to 77m tonnes by the turn of the century.

Net annual oil exports should reach a peak of 30.8m tonnes in 1987. However, by the second half of the 1990s it would be necessary to import—on a net basis—almost 4m tonnes of oil a year.

Natural gas imports would be even greater. By the late 1990s net imports could be the equivalent of 18m tonnes of oil annually.

The report says the recent revival in the coal industry's prospects is likely to falter in the next few years as a result of depressed energy demand, particularly in electricity generation.

UK coal production is expected to rise from 127m tonnes last year to 134m tonnes in 1990. By the turn of the century output may reach 153m tonnes—far short of the NCB's target of 170m.

The likely comparative cost advantage of imported steam-coal over domestic production was expected to attract more than 11m tonnes a year of imports by the year 2000.

DRI forecasts that nuclear power output will expand in the next 20 years to provide 21.5 per cent of the country's electricity and 8.5 per cent of total energy supplies, against less than 4.5 per cent of total energy needs last year.

Growth in Western Europe's primary energy consumption is expected to be an annual 2.2 per cent until the turn of the century. Oil prices were forecast to fall, in real terms, until 1985 and then begin rising again. In nominal terms, a barrel of oil could rise from this year's level of \$34.97 to \$77.56 in 1990 and \$202.15 by the year 2000.

DRI European Energy Forecasts Report; DRI, 30 Old Queen Street, St James's Park, London SW1H 9HP; £1,000 (\$1,800).

Jersey to decide on French power link

By Edward Owen

JERSEY'S PARLIAMENT will be asked on June 22 to give final approval to a plan to establish a submarine cable link with the French electricity grid.

The scheme, which is likely to cost more than £10m, was approved in principle a year ago.

It is aimed at reducing the island's dependence on electricity generated by oil-fired generators and at stabilising prices.

Merz and McLellan, the consulting engineer, was called in by the parliament after last year's approval in principle to give MPs information on which to make a final decision.

It concluded that a link-up with Electricité de France would be more economic than building a coal-fired power station.

A marine survey commissioned by the Jersey Electricity Company has confirmed the feasibility of laying a cable from a point near Portbail on the Normandy coast to the east cost of the island.

Electricité de France has undertaken to supply Jersey with 45 Mw for the first three years, after which the amount would be renegotiated on a three-yearly basis.

There has been strong opposition to the proposed cable link from environmentalists worried about nuclear developments on the nearby Cotentin Peninsula.

They claim that, in any case, a coal-fired plant would be a better long-term solution.

The plan has also been attacked by one local politician on the grounds that it would make Jersey dependent for much of its energy supply on a foreign country.

Duty-free sales help to lift airports authority profits to £38m

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TRADING PROFITS earned by the British Airports Authority in the 1981-82 financial year rose by about £2m to over £38m on a Current Cost Accounting basis, according to preliminary unaudited figures.

The net profit is provisionally estimated to have risen by about £3m to £22.3m, after allowing about £14m for taxation, plus the cost of moving the authority's head office from Central London to Gatwick Airport.

The full accounts are not expected until later in the summer, but sufficient information is available to show that the authority earned a return on net assets of about 5.6 per cent, or slightly below the 5.9 per cent of the previous year.

As in other years, a substantial proportion of the profit—about 80 per cent—was earned from the sale of duty-free goods and the provision of other concessions (such as car hire facilities) at the seven airports run by the authority Heathrow, Gatwick, Stansted, Edinburgh, Aberdeen, Glasgow and Prestwick.

The authority has steadily built up this side of its income over the years and now it is so substantial (amounting to over £100m income in 1980-81) that it significantly helps to keep down the costs of landing fees and charges to airport users.

The authority is, however, concerned about what it regards as a real threat to this lucrative source of income — the EEC is seeking to restrict sales of duty-free goods within EEC countries.

The EEC wants to implement a directive issued some time ago prohibiting the duty-free sale within the community of goods manufactured outside it such as cameras, watches and other goods, for example, from Japan or the U.S.

There is pressure for this to be extended eventually to cover the sale of all duty-free goods for intra-community travellers, although the sale of such goods to travellers to countries outside the community would still be permitted.

One argument in favour of such a move is that the benefit of duty-free goods is gained only by air and sea travellers—and not by those moving overland.

But it is also being argued that many industries, especially those dealing in luxury items, could be severely affected by the move, while some airport authorities, including the British Airports Authority, would lose revenue.

The BAA is discussing the implications of the directive with the Government and the EEC and there is considerable opposition to the plans from Continental airlines and airport owners.

So far, nobody has implemented the directive, but it is thought likely that the EEC will insist upon member-countries doing so unless sufficient political pressure can be generated to kill the measure.

The BAA makes no secret of the fact that if the EEC moves are successful, its own income from duty-free sales would be severely hit, and that as a result landing fees and other charges would have to rise.

EIB loans for projects in Wales and Scotland

BY JAMES McDONALD

The European Investment Bank has lent £9m towards water supply and sewerage works in Wales and £4m towards the expansion and modernisation of small industrial and tourism ventures in Scotland's Assisted Areas.

The Welsh loan — which is also aimed at improving conditions for industrial and tourism development — has been granted for 10 years at 13.1 per cent to the National Water Council, which will pass on the funds to the Welsh Water Authority.

It brings to more than £38m the total lent since 1977 by the EIB towards water supply and sewerage projects in Wales. The cost of the works, to completion in 1985, is estimated at £38.5m.

The Scottish loan goes to the Scottish Development Agency and the Clydesdale Bank, which will lend the money to businessmen.

Mr Alex Fletcher, the Scottish Industry Minister, said the loan scheme would help create 400 jobs.

Kangol warns on seat-belt danger

BY OUR MOTOR INDUSTRY CORRESPONDENT

ABOUT 1.5m car seat-belts need repair or replacement, says Kangol Magnet, a Carlisle group which claims to supply most seat-belts in Britain.

The company is owned by the Mannon Group of California. It has set up a nationwide network of specialist seat-belt fitting and advisory centres to cope with the expected rush when the law requiring the wearing of front seat-belts becomes effective this year.

About 70 centres have been set up. Most are operated by IMI Marston Radiator Services.

Kangol hopes that up to 1,500 local garages will display the national seat-belt fitting centre symbol and refer customers to the specialist centres.

The proposed laws will make compulsory the wearing of seat-belts by drivers and front-seat passengers. The Bill awaits its Third Reading because of delays to the parliamentary calendar arising from the Falkland dispute.

The company's decision to launch the network follows research which showed that with more than 15m vehicles on the road and a current seat-belt wear-rate of about 25 per cent, a total of 22.5m seat-belts may be currently "unused."

Kangol said there was, accordingly, a requirement for inspection and possible repair to, or replacement of, 1.6m "potentially dangerous" seat-belts in 750,000 cars.

This assessment was based on the assumption that 10 per cent of the remaining 16m belts had been "abused to the point where there was an actual fault" and that vehicles less than three years old were discounted.

Crisis will not spur inflation—Biffen

BY MARGARET VAN HATTEM, POLITICAL STAFF

THE Government's determination to hold the next General Election as late as practicable and to fight it on its record in bringing down inflation, despite the Falklands crisis, was underlined yesterday by Mr John Biffen, Leader of the Commons.

The cost of the Falklands action might be high but it would be met through non-inflationary measures such as spending cuts and higher taxes, Mr Biffen told Brent Conservative Association.

"National honour can rarely be redeemed on the cheap," he said. "Let it be clearly stated that the costs being incurred in the South Atlantic have to be met from a variety of non-inflationary sources.

"These may include the adjustments of other items of public spending, taxation, and borrowing limited to a scale and in a manner that does not give rise to inflationary pressures."

Speculation that Mrs Thatcher may have been encouraged by the recent by-election victories in Beaconsfield and in Merton, Mitcham and Morden to go to the country early were "wholly mistaken," he added. The next General Election might be as much as nearly two years away.

Mr Biffen's comments, echoing points made by other ministers over the past fortnight, reflect the Government's growing sensitivity to Labour accusations that it is exploiting the Falklands crisis for electoral gain.

Nevertheless, their confident assertions about economic indicators and prospects for economic growth over the next 18 months or so appear to mask a growing concern about the longer-term impact of the Falklands crisis and the Government's chances of seeing out its full term.

Most ministers seem to assume a successful military outcome but some appear apprehensive about mustering the international support needed for the type of administration for the islands envisaged by the Prime Minister.

They are also sceptical about Mrs Thatcher's plans to boost the islands' economy.

In anticipating awkward questions likely to arise, they are anxious to divert attention back to economic issues where they consider the Opposition to be on weaker ground.

Jenkins camp tries to dampen Owen fervour

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE INFIGHTING over the SDP leadership intensified yesterday with the first sally from the camp of Mr Roy Jenkins, the party's elder statesman.

Mr Tom Ellis, one of Mr Jenkins' closest supporters, hit back at those who had argued that Dr David Owen's performance during the Falkland Islands crisis had shown him to be better qualified to lead the party.

Mr Ellis, SDP Member of Parliament for Wrexham, appealed to party members not to elect the "wrong leader" as a result of a "collective emotional spasm." Just as it would be wrong for the Government to exploit the Falklands situation by calling an early election, so, he argued, "We in the SDP must not turn our party leadership election into a khaki one."

The SDP, he said, must forget the Falklands and "instead coolly and dispassionately ask ourselves which candidate is the one of world stature, which candidate has the proven track-record, which candidate is the radical one who has been most anxious to form the alliance and to be rid of the old-style party politicking, which candidate could most easily assume the leadership of the alliance, and . . . which candidate would command the most enthusiastic support of his parliamentary colleagues."

Mr Ellis also responded angrily to suggestions from Dr Owen's supporters that their candidate would turn the SDP into a more genuinely-radical party than the innately-conservative Mr Jenkins. The real issue, Mr Ellis maintained, was "whether out of disillusion with the old Labour Party, we merely replace it by another party of a slightly better image or whether we change the whole system of British adversarial politics."

Nominations for the SDP leadership close on Friday. Neither Mr Jenkins nor Dr Owen has formally declared himself a candidate. Yet behind the scenes the manoeuvring has begun in earnest, and the signs are that the contest could become very bitter, opening up fundamental disagreements over the party's direction.

Over the last few days, Dr Owen's supporters have been doing all they can to dispel the idea that Mr Jenkins goes into the contest as the firm favourite. They have pointed out that Dr Owen has improved his standing by his performance during the Falklands crisis.

Mr Jenkins' supporters claim to be fairly confident that he will win. But Mr Ellis' speech indicates how worried they are, and how irritated they have been by the tactics of Dr Owen's supporters. Both candidates have agreed to keep their public campaigning to a minimum so as not to do anything to encourage the idea of a divided party.

Mr Ellis' speech also points to the tactics of Mr Jenkins' supporters. They will present their candidate as the experienced politician, with a deep commitment to changing the British political system.

Welsh parties set their sights on July contest

BY ROBIN REEVES

BEHIND THE scenes preparations for the first parliamentary by-election in Wales for more than 10 years were underway yesterday after the death at the weekend of Mr Ifor Davies, Labour MP for Gower.

While there were some hints that Labour might delay moving the writ for the by-election until the autumn, the other political parties were taking no chances. They are getting ready for a contest in mid-July.

Mr Davies, who was 71, became MP for Gower in 1959, and served for a time as a Welsh Office junior minister. At the last election he held the seat with a majority of 10,641, but subsequently announced his intention of standing down at the next.

A new prospective Labour candidate is therefore already selected to contest the seat. He is Mr Gareth Wardell, 37, a lecturer in economic geography at Trinity College, Carmarthen. He also works as constituency agent for Dr Roger Thomas, the present Carmarthen MP.

In the battle for the Labour nomination in the Gower constituency Mr Wardell beat a man who was yesterday being tipped as the likely candidate for the SDP-Liberal Alliance. He is Mr Gwynoro Jones, who was Labour MP for Carmarthen between 1970 and 1974 when the seat was retaken by Mr Gwynfor Evans, then Plaid Cymru's leader.

Mr Jones last night did not rule out standing for the SDP. "Nothing has been officially discussed, but if it is generally felt that my standing would help the advance of the party I would be happy to consider it," he said.

He has been closely involved in the party's development in Wales, having switched to the SDP shortly after losing the Gower Labour nomination contest. He was Mr Roy Jenkins' parliamentary private secretary during his period as an MP.

The Conservatives have still to select their candidate. Plaid Cymru is putting forward Mr Ieuan Owen, 25, an office manager in his family's contracting business. He is on the party's left wing.

Voting in the 1979 general election: Labour 24,963 (53.42 per cent), Conservative 14,322 (30.55), Liberal 4,245 (9.05), Plaid Cymru 3,357 (7.16). Labour majority 10,641.

Compulsory training 'could harm MSC'

By Lisa Wood

THE FUTURE of the Manpower Services Commission and its programmes for the jobless could be at risk if the Government fails to accept the commission's latest Youth Training proposals, says Youthaid, a pressure group lobbying for young unemployed.

Mr Norman Tebbit, the Employment Secretary, has said the Government intends to stop 16-year-olds who refuse a place on the scheme, due to be introduced next year, from claiming supplementary benefit in their own right.

The issue drew criticism from the TUC and commission representatives. They formed a task group and say 16-year-olds not prepared to join the year-long work-experience and training scheme should still qualify for benefit. Mr Tebbit is due to respond to the group's report this month.

Ms Clare Short, Youthaid director, commented yesterday on speculation Mr Tebbit would insist on removal of supplementary benefit. She said: "It is difficult to see how the Government could justify insisting on compulsion as this would seriously endanger a scheme supported by all those concerned with youth-training and designed within the £1bn limit.

"A highly-placed source in the TUC believes the general council would refuse to back any new scheme which is compulsory. The consequence of this would be a withdrawal of trade union support, grave difficulty even for the continuation of YOP and almost certainly the break-up of the commission itself."

A recent Commons employment committee report advised Mr Tebbit he should not allow his wish to withdraw the benefit to prejudice the scheme's introduction.

Counter to Labour in-fighting

By Elinor Goodman

MEMBERS of Labour's National Executive Committee yesterday reviewed the party's appalling performance in recent by-elections and agreed that the only way it could possibly win the next election was by ending infighting and concentrating on getting its policies over to the electorate.

Another meeting between the NEC and Trades Unions for a Labour Victory is to be held in July. Meanwhile, Mr Michael Foot, the party leader, is to tell the shadow cabinet that any time they get on television must be used to put over party policies rather than party disagreements.

The organisation committee considered the party's showing in the May local elections, together with the results of the last five by-elections—in all of which Labour has been pushed into third place. All speakers apparently blamed this slump in support on continued internal bickering—even though there was a determined effort in the run-up to the local elections to bury differences.

Mr Tony Benn, who most Labour MPs would probably say bore most responsibility for the new upsurge of infighting, said nothing. Neither was any mention made of the report into the activities of the Trotskyist Militant Tendency.

Since last week's by-election in Mitcham, some Labour MPs have been saying that the only way Labour can recover is if Mr Foot stepped down as leader. But at yesterday's meeting, members apparently attacked Press reports suggesting that there were moves to persuade him to resign.

It was agreed that there should be a meeting between the organisation committee and the candidates and agents who took part in the past five by-elections. Rallies are to be held in the autumn to try to explain Labour's policies to the public.

Pottery lay-offs in N. Ireland

MOST OF the 250-strong workforce at the Belleek pottery in Northern Ireland is to be laid off for up to eight weeks because of falling sales. The company said that exports of its china products, particularly to the U.S., had declined significantly.

Earlier this year the company shelved an expansion plan at its Co Fermanagh factory until trading conditions improved.

The pottery hopes to resume normal production in four to eight weeks and said that stocks were adequate to deal with any likely demand during that period.

Coniston slate quarry to reopen

BURLINGTON SLATE of Coniston, Cumbria, plans to reopen a small quarry on Coniston Old Man which has not been worked since the early part of the century.

The Low Brandy Crag quarry contains good quality silver grey slate which is common on roofs in the area. The company proposes to extend the old working face and tipping area.

Finance package for small companies

AN ACCOUNTANCY, finance and administration package for small to medium sized businesses was launched yesterday by Unilever Computer Services, a subsidiary of Unilever, and H and H Factors, a member of the Walter E. Heller International Corporation.

The package comprises bulk factoring from H and H — including immediate advance payments of up to 75 per cent on a company's sales invoices — while Unilever provides the hardware, software and back-up facilities.

Aberdeen urged to rebuild image

ABERDEEN—often wrongly described as a "small fishing village raped by oil giants" and the victim of exaggerated "often blatantly untrue, stories of sin and exploitation"—must rebuild its image as a major visitor centre, Mr Alan Devereux, chairman of the Scottish Tourist Board, said in Aberdeen yesterday.

Long term, tourism would be more important to Aberdeen than oil, he said at the opening of the city's new tourist information centre.

Child neglect cases increase

CHILD NEGLECT cases handled by the National Society for the Prevention of Cruelty to Children have risen by 17 per cent in two years.

The society said in its annual report, published yesterday, that the effects of neglect could be as serious as physical abuse. It handled some 3,214 cases of neglect and 1,475 cases of physical abuse in 1981.

Dr Alan Gilmour, director of the NSPCC, said: "Research indicates that child deaths in neglecting families are far above the average."

BP sells stake in Beatrice field

BY SUE CAMERON

BRITISH PETROLEUM is selling its 15 per cent stake in the North Sea Beatrice field to London and Scottish Marine Oil for £75m.

The sale is to be backdated to the start of this year, provided it is approved by the Department of Energy and Lasmo's shareholders.

The deal will come as no surprise to the oil industry. Earlier this year, BP admitted that it was thinking of selling its interest in the Beatrice field, and last night it said it had been approached by a number of companies.

One company known to have been interested is the British National Oil Corporation, which has a 28 per cent stake in Beatrice and is the operator on the field. But it is thought likely that BNOC was not prepared to pay as much as Lasmo.

The price is slightly higher than expected. Most industry experts had put a market value of between £65m and £70m on BP's interest in the field.

However, the deal, with Lasmo includes the whole of BP's stake in the acreage covered by licence P187, and there are hopes that further oil discoveries will be made in the area.

BP is concentrating its North Sea operations on fields where it is operator, or in which it has a sizeable stake. Lasmo, being a smaller company, can expect more generous North Sea tax concessions from its share in Beatrice than BP could have obtained.

Last night, Lasmo stressed that the acquisition would provide it with a "significant" additional source of North Sea petroleum and would also make a "positive contribution to cash flow and earnings". Lasmo's 1981 net profit was £41m.

The Beatrice field, which is in the Moray Firth only 12 miles from the coast, was discovered in 1976 and has recoverable reserves of 117.5m barrels. It came into production last September and produces 30,000 barrels a day. Peak production, which is expected to be reached in 1984, will be 40,000 barrels a day.

The other members of the Beatrice consortium of companies are Deminex (UK) Oil and Gas with 22 per cent, Hunt Overseas Oil with 10 per cent and Kerr McGee with 25 per cent.

Half-price computers for doctors

By Jason Crisp

THE GOVERNMENT is to spend £2.5m on encouraging doctors to use computers to run their general practices.

The Department of Industry will pay half the cost of providing microcomputers systems costing between £6,000 and £14,000 for 150 practices as part of Information Technology Year (IT82).

The subsidy will be available on microcomputers supplied by CAP, one of the larger software houses, and British Medical Data Systems, a joint venture between BOC and Shared Medical Systems, a U.S. company.

The decision has met substantial criticism from other suppliers of computer systems for general practitioners. Only a little more than 50 general practices are using computers, and the other companies believe 150 half-price systems will absorb the total market in the short term.

The General Practitioners Computer Suppliers Association has warned that the scheme may force other companies out of the business.

The other main objection was that the two companies were selected by civil servants in secret and no other company was able to make a competitive bid. Both CAP and BMDS are thought to have been pressing the Government for some time to introduce a scheme to encourage GPs to use computers.

Mr Kenneth Baker, Industry Minister with responsibility for information technology, said he thought the move would stimulate the market. He referred to the decision to support two companies to provide cheap microcomputers in schools—Acorn and Research Machines.

The DoI says only two companies were selected in order to achieve a "commonality in equivalent systems." It is seen as important to ensure that the effects of computerising different types of general practice can be compared.

Review of corporate bond rules

By Max Wilkinson

THE GOVERNMENT is considering whether to make an important ruling on the tax treatment of corporate bonds, in the hope of reopening this method of finance for companies.

It would involve the tax treatment of any new "low coupon" bonds. These are designed to give the investor a substantial capital gain on redemption, but a low or zero rate of interest in the intervening years.

Although such bonds have been issued in the U.S. and Japan, none has been issued in the UK in recent years because of uncertainty about how the capital gain would be taxed.

All the low coupon bonds at present being traded in the market were issued years ago when interest rates were lower. Any capital gain which an investor makes on such a bond falls into the Capital Gains Tax net.

However, if a new bond were designed to have a built-in capital gain and a low interest rate, the Inland Revenue might rule that the interest rate was "artificially" low and that the capital gain should therefore be taxed as income.

Such a ruling could be made under special provisions for closing tax-avoidance loopholes. However, since no such bonds have been issued by the corporate sector, the question has not been put to the test.

The Treasury believes this uncertainty is unsatisfactory, and could be holding back a revival of the market, which dried up with the coming of high interest rates.

The most likely outcome of the Treasury's present review is a declaration that the "capital gain" on a low coupon bond should be taxed as if it were interest, but no tax would be levied until the investor made a gain by redeeming the bond or selling it.

It is thought that under such rules low coupon bonds could be attractive to gross funds such as the assurance companies

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BALANCE OF TRADE

		Exports	Imports	Exports	Imports	Terms of trade	Oil balance
		£m seasonally adjusted		Volume seasonally adjusted 1975=100		Unadjusted 1975=100	£m
1979		40,687	44,136	125.7	125.6	104.3	−731
1980		47,396	46,211	128.0	119.1	103.7	+273
1981	1st qtr.	11,768	10,092	121.7	104.4	105.0	+790
	2nd qtr.	n.a.	11,170	n.a.	114.7	n.a.	n.a.
	3rd qtr.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	4th qtr.	13,850	13,368	131.7	126.4	99.8	+698
1982	1st qtr.	13,275	13,051	125.4	123.1	101.0	+452
1981	January	4,013	3,317	124.0	102.6	106.3	+211
	February	3,807	3,473	118.9	107.8	105.1	+230
	March	3,948	3,302	122.3	102.9	103.7	+349
	April	4,100	3,400	127.1	104.7	103.3	+301
	May	n.a.	3,860	n.a.	120.5	n.a.	n.a.
	June	n.a.	3,910	n.a.	118.7	n.a.	n.a.
	July	n.a.	4,307	n.a.	124.9	n.a.	n.a.
	August	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	September	4,473	4,415	129.8	129.2	99.6	+291
	October	4,446	4,250	135.5	122.2	98.9	+74
	November	4,563	4,792	129.7	136.3	100.1	+205
	December	4,641	4,324	130.0	120.6	100.4	+419
1982	January	4,258	4,410	118.9	123.4	101.2	+168
	February	4,433	4,279	124.8	120.6	101.6	+270
	March	4,584	4,362	132.6	125.2	101.2	+214

Non-oil exports sluggish

BY MAX WILKINSON

THE UNDERLYING volume of Britain's non-oil exports appears to have been relatively static for three years, according to official figures issued yesterday.

The index for the volume of non-oil trade in the first three months of this year was 117.5 (1975=100). This was almost the same as in the last three months of 1980, about 2 per cent below the level for 1980 as a whole and 1½ per cent below the volume for 1979. These rather small differences are perhaps surprising in view of the major fluctuations of competitiveness and of the exchange rate during the period.

Last year's export and import pattern is still obscured by gaps in the figures, left by the civil servants' dispute. A new method of collecting data introduced in October has also made the series difficult to interpret.

The trading pattern also seems to have been erratic last year, with a surge in exports and imports in the autumn. This has been attributed in part to the fact that companies were starting to run down their stocks at a slower rate.

While the underlying trend of non-oil exports over the last three years appears to have been fairly flat, there appears to have been a steady increase in the volume of non-oil imports. This index stood at 148.5 (1975=100) for the first three months of this year—17.6 per cent higher than in the last three months of 1980.

Companies' health benefit costs spiral

Raymond Snoddy reports on a scheme aimed at limiting the rising cost of private medical care

A GROUP of Britain's biggest companies has asked the British United Provident Association (Bupa) to draw up a new health insurance scheme for employees to try to limit the rising cost of private health care.

Thirty companies, all in the list of top-100 UK companies, have asked Bupa, the country's largest private health insurance organisation, for a scheme with fixed limits on what can be claimed.

Under the present plan, in which companies pay for health cover for their employees, there is no limit. Premiums for the two-year contracts reflect this with increases of between 20 and 200 per cent recently.

Under the new scheme, affecting more than 100,000 people, employees will be asked to use hospitals whose charges are no more than those of Nuffield clinics (a charity sponsored by Bupa), Bupa hospitals or pay beds in National Health Service teaching hospitals.

Those wanting to use more expensive clinics will have to pay the difference.

The scheme will be on offer later this year.

"To help contain costs we have been asked to draw up fixed benefit levels rather than open-ended ones, based on medical standards, not luxury." Mr Derek Allan, Bupa's general manager for marketing, said.

Bupa, which is non-profit-making, provides cover for about 3m of the 4m people covered by private medical insurance in Britain.

One of the 30 companies, Rank Xerox, which introduced private health care for its 12,000 employees last year, has already set those limits under its scheme. It is also asking employees to pay the first £20 of any medical bill.

"In the first year a great deal of use was made of the Bupa scheme. Of course, this is quite natural but the company was concerned that the cost would continue to rise," the company said.

Costs vary from company to company but annual cover per employee, including family, for a company such as Rank Xerox would be around £130.

Earlier this year another company, one of Britain's largest employers, specified nine London hospitals for which full private health fees would not be met.

At the annual general meeting of Private Patients Plan, the second-largest medical insurance group, Mr John Philips, PPP chairman, said price increases "such as our competitors are now reporting can discourage the development of medical insurance and private medicine."

Dr Stanley Balfour-Lynn, chairman of the American group, AMI (Europe), is more blunt. Bupa, he says, has only just realised the impact of the true cost of modern hospital care—whether delivered by the NHS or by the private sector—and it is more than they bargained for.

Mr Derek Damerell, chief executive of Bupa, rejects any idea that Bupa has been getting health care on the cheap and points out that the cost of private medicine is rising all over the world, partly because of technological advances.

He is particularly concerned about the growth in ancillary charges made by some clinics. A bill paid by Bupa for the same surgical process at one hospital was £4,022 and at another £2,959. The difference in accommodation charges was minor.

But in one the theatre charge was £191 and in the other £91. Pathology fees were £146 compared with £25. The greatest difference was a fee of £578 for "special nursing." In the other hospital nursing was included in the day charge.

Part of Bupa's rise in costs is accounted for by a 30 per cent rise in the number of claims—in the past two years, the period of most rapid growth when groups such as police, firefighters and electricians took out cover for the first time.

Bupa hopes the rash of claims will turn out to be a once-and-for-all catching up on a backlog of treatment for ailments.

The rise has contributed to the fact that Bupa will declare an actuarial loss at its annual general meeting on Thursday.

There seems little sign that increase in private health insurance will come down to the level of general inflation. Charges for individual Bupa cover rose by 20 per cent in January. The fees for annual individual contracts running out from July 1 will be between 10 and 20 per cent higher.

Some people also believe that there are growing signs of segmentation within the UK private health sector. High-technology hospitals at the top end of the market — often foreign owned — may increasingly prove too expensive for all-inclusive company cover.

Until a few years ago, Mr Allan points out, "we didn't have these high cost hospitals and everything was within the range of the NHS charges."

Mr Robert Sawyer, patient services officer at the Churchill Clinic in London, believes he can see some evidence of a split at his hospital.

With room prices held down to £140 a day, the percentage of British patients has increased over the past 12 months from 58.4 to 68 per cent.

At the Cromwell Hospital in West London, Mr Thomas Hayes, chief executive, says he would like to attract more British patients, but the percentage of foreign patients is running at 70 per cent.

Room charges of £170 a day, he believes, are not unreasonable considering the fact that the Cromwell is an acute-care hospital offering treatments usually only found in the NHS, including radiotherapy treatment for cancer patients.

Pitfalls in funding for State industry

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

PROBLEMS involved in developing schemes for the injection of private sector capital into nationalised industries were stressed at a meeting of the National Economic Development Council.

A joint report prepared by the Treasury and the Nationalised Industries Chairmen's Group said that "the practical difficulties in the way of devising schemes acceptable to all parties are considerable."

Many of the difficulties are being raised by the Treasury and were foreshadowed in a council report last October. Since October, all the industries have been considering whether they could develop schemes of their own that would pass Treasury scrutiny.

The difficulties listed in yesterday's report were:

- How to avoid explicit or implicit guarantees or commitments which, by offering excessive security, would create unfair competion for private sector companies seeking to raise capital;
- How to achieve adequate separation of individual projects from the overall operations and overall results of parent corporations;
- How to assess whether there would be a reasonable likelihood of efficiency gains sufficient to outweigh any additional financing costs.

There had also been problems in "creating new and unconventional financing instruments which not only meet the criteria laid down but which are also marketable."

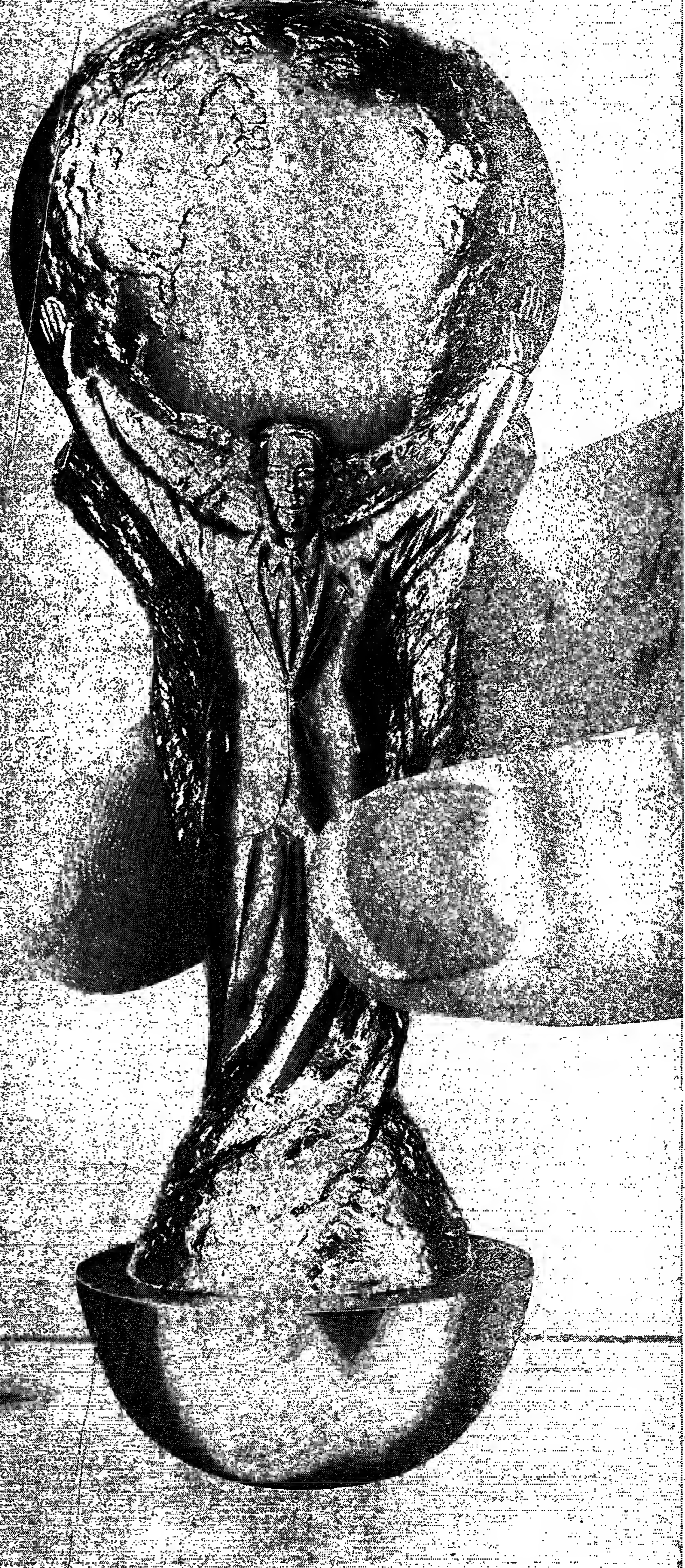
Yesterday's paper listed projects being considered by British Rail, the British Airports Authority, the Post Office, the electricity industry, and by civil engineering contractors for road building.

It also said that British Telecom's proposed private sector bond of up to £150m would be a "near equity investment whose capital value and return would vary with British Telecom's performance."

Conditions would be laid down to protect consumers from monopoly profits, while encouraging potential investors.

"As a condition of access to market finance, British Telecom will be expected to keep tariff increases at least two percentage points below the annual movement in the RPI and to reduce real unit costs in 1982-1983 by a minimum of 5 per cent on present accounting conventions, with further reductions to be agreed for later years.

"For its part, the Government would indicate general support for BT's investment policies and their future financing, and undertake not to alter the target rate of return downwards, except in certain circumstances."



UK NEWS – LABOUR

Chapple's caution plea in Tebbit Bill fight

By Ivo Dawnay, Labour Staff

LEADERS OF the electricians' union have urged caution in opposition to the Government's employment legislation.

Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, told his union's industrial conference in Scarborough yesterday that the Employment Secretary, Mr Norman Tebbit's Bill could be beaten "even within its own terms."

He was speaking after EPTU shop stewards from the electricity supply industry had voted to oppose the use of any non-union labour in the Central Electricity Generating Board plants, and to enforce the present closed shop system in the industry.

The employment legislation outlaws closed shops where they are not sanctioned by a vote of 80 per cent of the membership.

Mr Chapple said that several of the clauses of the Bill dealing with the sequestration of funds could be by-passed, possibly if unions re-organised their funds to make them immune to sequestration.

He told the conference that the union would wait for the enactment of the legislation before deciding its strategy of opposition.

"It is not sufficient to be against Government policy. What we've got to know is what is to be done to stop it," he said.

"There is a case, for example, for breaking monopolies, but there isn't a case for simply selling off the profitable parts of nationalised industries — like electricity showrooms — then complaining that the remaining parts are losing money."

Mr Fred Franks, national officer for the electricity supply industry, said in his keynote speech that careful consideration would have to be given to the tactics of the campaign of opposition.

The greatest danger to the electricity industry lay in contraction of demand, and on the consequent squeeze on jobs.

Mr Franks also stressed that concessions on working practices and productivity would have to be made if the union was to maintain political support. "If we are going to survive the commercial and political difficulties that face us we must take the consumers with us. We must not jump in feet first."

Earlier, several delegates criticised union negotiators for their agreement last month to a 9 per cent pay rise, for power workers without holding a ballot of the members.

In reply, Mr Franks said the offer had been improved only on condition that there were no delays in its acceptance.

TUC wants cut in payments to pension funds

By Eric Short

TRADE UNION negotiators are being advised by the TUC to seek a cut in their members' contributions to company pension schemes to offset the forthcoming increase in National Insurance contributions.

The latest TUC Occupational Pensions Bulletin points out that, from next April the reduction in the employees' NI contribution for schemes that have contracted out of the State earnings-related scheme falls from 2.5 per cent to 2.15 per cent of earnings. When tax relief is taken into account, this represents an extra payment of 0.5 per cent of earnings.

Troops ready to intervene in health service strike

BY BRIAN GROOM, LABOUR STAFF

POLICE and troops were on standby last night in case health workers fail to maintain emergency cover during today's 24-hour strike, expected to be the biggest so far in the six-week dispute.

Army medical personnel, including divers, may be used to keep emergency ambulance services going.

TUC unions aim to maintain emergency cover in line with their code of practice, but police stepped in during last Friday's one-day stoppage when cover was not provided by ambulancemen in Ipswich and Northumbria.

Yorkshire miners and other workers outside the National Health Service have pledged sympathy action or picketing today, in defiance of the secondary-picketing provisions of the 1980 Employment Act.

Mr Jack Taylor, president of the Yorkshire miners, said last night: "Every man is well aware of the consequences. No-one wants to go to prison, but you do things that you believe are right and you have to accept the results."

The 66,000 Yorkshire pitmen plan to picket hospitals, but promise that picket lines will be orderly. Neither the Government nor employers have so far been willing to take pickets to court.

The general executive of Britain's biggest union, the Transport and General Workers Union, will demonstrate solidarity by joining a picket line at Westminster Hospital.

Mr Norman Fowler, Social Services Secretary, is under some pressure to increase the 4 to 6.4 per cent pay offers to 1m NHS workers, but today he may receive a boost from NHS management.

Nurses' leaders will press the management side, at a meeting of the Nurses and Midwives Whitley Council, to ask the Government to increase the 6.4 per cent offer. The employers, however, seem set to refuse.

Mr David Williams, chairman of the nurses' staff side, announced yesterday that all 12 organisations had rejected the offer. It was thought that midwives, health visitors and nurse administrators might have backed acceptance in line with the view of the majority of their members but they sided with the staff side majority following Friday's 2-1 rejection by the Royal College of Nursing.

The General and Municipal Workers Union, Britain's third largest union, said last night it would urge the TUC to escalate the health service dispute with more "sympathy action" by powerful groups.

Union doubts Labour's poll hopes

BY DAVID GOODHART AND JOHN LLOYD

FURTHER pessimism over the Labour Party's chances at the next General Election has been voiced by the president of the 130,000-strong Post Office Engineering Union.

Mr John Scott Garner, the POUE president, told his union's annual conference in Blackpool yesterday: "It is a luxury that the union cannot afford for the party to be a party of protest."

This follows a speech over this week-end by Mr Sidney Weighell, general secretary of the National Union of Railwaymen, predicting that Labour would lose the next General Election; and the castigation of the Labour leadership as weak by Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers, in his union journal last month.

However, union leaders are not expected to press for a change in the party leadership in the near future.

Mr Scott Garner told his conference that: "It is not in the interests of the POEU to be affiliated to a party which cannot become the Government."

"Policy is not everything. It is what the public perceives of the Party as a whole, and what the public sees is a party deeply riven about its constitution, its policies and its leaders."

Mr Brian Stanley, the union's general secretary, underscored the point in a speech to the union's political fund management committee. He said trade unionists must spearhead a last ditch revitalisation of the Labour Party.

"We have only a few months left to clean out the stables and present a united image to the public."

Despite its doubts—or perhaps because of them—the union has increased its party affiliation from 78,000 to 90,000, and its party delegation from 13 to 15.

Senior union leaders are privately concerned by the signs of drift within the party, and by the run of losses in recent by-elections.

Right keeps control of post workers

BY DAVID GOODHART, LABOUR STAFF

THE RIGHT WING remained firmly in control after the first round of national executive elections at the Post Office Engineering Union's annual conference in Blackpool yesterday.

The NEC of the politically divided union remains split 14-9 in the right's favour after the regional elections.

The left has been marking time after gaining considerable ground in 1980, but hopes to make further gains in today's elections.

Mr John Golding, a POEU-sponsored MP who backs the right, said: "The POEU has long supported moderate leaders and policies in the Labour Party and it would make a great difference to the party if the broad left did take over the union."

Sir George Jefferson, chairman of British Telecom, faced a walk-out by 100 of the 700 delegates when he addressed the conference.

He said BT must accept a partnership with Project Mercury, the private telephone network, planned to start operations next year. He also reiterated for major savings over the next three years.

But Mr Bryan Stanley, union general-secretary, said: "We want a thriving BT but not at the expense of good pay or job security." He also said the union would not accept compulsory retirement at 60.

He added that every avenue of negotiation and persuasion would be used to minimise the effect of privatisation in BT. The broad left in the union is pushing for industrial action to stop Mercury.

Mr Russell Tuck, assistant general secretary of the National Union of Railwaymen and a Labour Party NEC member, told delegates that a future Labour Government would nationalise Mercury. But he emphasised that it was necessary to pay compensation.

Delegates also backed a motion urging BT to start an aggressive marketing campaign to win business in all areas of communications. On modernisation in BT delegates rejected a motion calling for non-co-operation.

The conference agreed to affiliate to CND. It also backed a call for internal union reform, urging greater power at regional and area level, to reflect the devolution of power within BT. A special conference will be held on reorganisation.

Nalgo to discuss pay talks breakdown

BY JOHN LLOYD, LABOUR EDITOR

PAY NEGOTIATIONS for 500,000 white collar workers in local government have broken down over the issue of the representation of chief and deputy chief officers.

Delegates to the union's conference next week are to discuss possible steps in response. The steps could involve industrial action.

During the talks, which ended late on Friday night, the local authority employers refused to include the senior officers because they said no agreement had been reached on setting up a new negotiating body for them. The officers had previously been included in the agreement covering local authorities 'administrative, professional, technical and clerical staff.'

Nalgo said yesterday that "the delay in the establishment of a negotiating body rests entirely with the recently-formed and totally inexperienced Federation of Professional Officers' Associations, which is seeking to exclude Nalgo, a union with thousands of chief and deputy chief officers within its membership."

Nalgo also said that the employers were "actively seeking to reduce the range of salary scales for the lower paid." Mr Mike Blick, chairman of Nalgo's local government committee, said yesterday: "Trade unions are about unity, and that unity embraces everyone, no matter how senior or junior he or she may be."

In earlier talks, the local authorities had offered 5 per cent rises, linked to a restructuring of grades and a reduction of one hour for the minority of members working a 40-hour week. The offer had been rejected by the union.

British Airways cabin staff to reject shift pattern

BY BRIAN GROOM, LABOUR STAFF

BRITISH AIRWAYS cabin staff will today refuse to work a recently-introduced shift pattern which they say is dangerous to their health and potentially hazardous to passengers.

Leaders of the British Airline Stewards and Stewardesses Association were last night meeting management to persuade it to cancel the system and avert a clash.

Cabin staff say jet-lag stress is brought on by making flights between Britain and the U.S. which involve four time-changes on successive days.

The airline has agreed to withdraw the shift system on the Los Angeles and San Francisco routes but the association wants it dropped on Miami and Barbados routes, too.

The cabin staffs' decision to stop working the system was taken at a meeting yesterday.

The association says more than 24 reports of cabin crew being taken ill in flight because of jet-lag have been made. Seven were reported ill on a flight from London to Los Angeles and were given oxygen. Under the previous system cabin crew made one trip across the Atlantic and one trip back followed by three days off.

The "back-to-back" system was introduced in February. It involves flying to the U.S., returning the next day and repeating the operation immediately.

The association accepted it at first as part of the airline's survival plan but now says the health risks are too great.

UK NEWS

Where inflation now exceeds the pace of life

Anthony Moreton looks at the economic problems of the Scilly Isles

DURING THE second half of the 1960s the Scilly Isles used to crop up in the news every now and then when Harold Wilson, who was then Prime Minister, took his holidays at his bungalow on St Mary's, the main island, and the occasional photograph of him accompanied by his wife, his dog Paddy, and sundry detectives would make its way into the papers.

When Mr Wilson (who became Sir Harold in 1976) left office in 1970 the papers were no longer so interested in the holidays of a former premier and the islands slipped back into relative obscurity, only to emerge briefly when he returned to No 10 Downing Street in 1974.

On the surface the islands remain a holiday paradise. Only five of the 200 islands are inhabited, of which St Mary's is by far the largest with 1,959 of the 2,426 people. The Gulf Stream laps the shores, the beaches are clean and sandy and the pace of life is pleasantly slow.

However, there are underlying tensions. Inflation has played havoc with the economy. Sharp rises in transport costs have severely dented the holiday trade, the single most important source of income and employment, and the 100,000 visitors a year, doubling the population at any one time, are not sufficient to sustain economic growth.

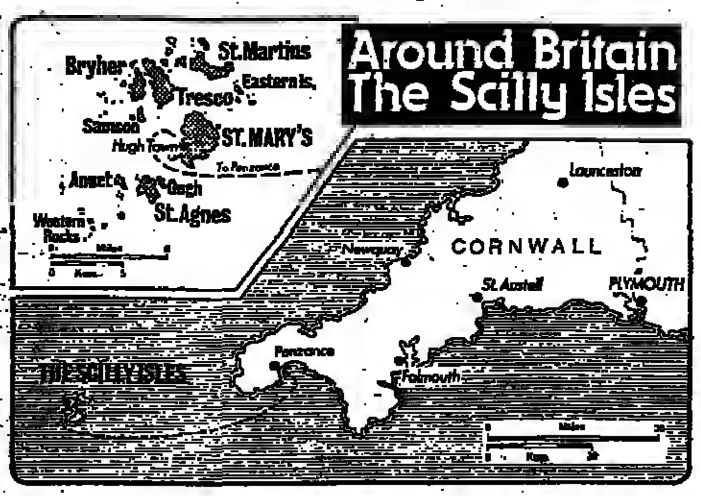
The other main source of income, the horticultural industry, with its emphasis on early flowers, especially daffodils, and vegetables such as potatoes, has been badly hit by imports from southern Europe and Israel. Flowers from these sources are now cheaper in the London markets than anything the Scillies can supply.

Last year freight rates rose by about 50 per cent and this has pushed the cost of living well above that on the mainland. Petrol, for instance, is now more than £2 a gallon.

Perturbed at the deteriorating economic situation, the Duchy of Cornwall — which owns the islands with the exception of Hugh Town, the capital, and a number of freeholds — has called in Graham Moss Associates to undertake a community project which will plot the islands' long-term future in social, economic and environmental terms.

The one obvious answer — to bring in more industry, a policy which is being pursued in Guernsey, the Isle of Man and, to a lesser extent, in Jersey — may not be the obvious solution. More industrialisation could create more stress, not less. A building programme of factories and houses would probably lead to an undermining of the conditions most holidaymakers seek.

The consultants are therefore taking soundings from a wide variety of interests off the islands as well as on them, including the Development Commission, the Council for Small Industries in Rural Areas, the English Tourist Board and the Nature Conservancy Council.



They have already begun work and hope to be able to put their report to the islanders by next spring.

Graham Moss Associates have had a lot of experience of plotting a course for rural communities. They have undertaken work in Turkey and France as well as several projects in the north of Scotland, including one for the Western Isles from which parallels for the Scillies can be drawn.

The most recent, and in some ways the most interesting, was a project for Trent — three declining rural communities in Dorset between Yeovil and Sherborne.

Trent is largely owned by the Ernest Cook Trust, part of the Thomas Cook organisation. The school was under threat of closure, the bus connecting the main village to the nearest towns had been cut back to one a week, and the population was predominantly in the older age brackets.

Moss prepared a programme which they called a "catalyst for action" that suggested new housing, some industry and a rationalisation of land uses. According to Mr Graham Moss, head of the consultancy, "we breathed new life into the village and enabled it to become a working community again."

That is what he hopes to be able to do for the Scillies. One of the main problems will be to tackle the problem of freight costs.

One course will be to attempt to get the isles accorded less-favoured designation within the EEC. This would allow for the differences between actual transport charges and the (lower) road charge for the equivalent distance to be met out of public sources.

The Scillies have already failed once to get support on this ground but, since the Western Isles are assisted, Moss feels that a further appeal made within the context of a wide-ranging community report might have more success.

The other main aim will be to improve the infrastructure. Previous attempts to improve economic life have foundered on constraints to the supply of water and electricity. If something could be done in this area it would be a big step forward.

Mr Moss is well aware that any suggestions his consultancy might make must carry the islanders. Many, perhaps most, of the islanders prefer their isolation and their way of life but even the majority does not want to see its standards continually eroded.

Any proposals must therefore be put forward with diplomacy and presented at every stage to the islanders to secure their co-operation. Mr Moss has had a lot of experience in this delicate task and is convinced he can suggest a programme that will give more substance to the long-term future of the islands without alienating its people.

APPOINTMENTS

Changes at Barclays Bank International

Mr Gervase Buxton has been seconded by Barclays Merchant Bank to BARCLAYS BANK INTERNATIONAL as an international finance director, international finance division at the bank's head office in London. Mr Anthony Archdeacon has been appointed assistant general manager at Barclays Bank International's planning department, head office. Mr Derek Wall, a general managers' assistant, regional general manager's office, Africa at Barclay's Bank International's head office in London, has been appointed local director in Cyprus from July.

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MORGAN GUARANTY TRUST has appointed Mr James I. Berliner a vice president and head of a newly formed energy and minerals department with regional responsibility for co-ordination of energy and minerals financing in Europe, Africa and the Middle East. Mr Berliner has succeeded Mr Peter L. Woicke and will be based in London. Mr Berliner has headed the project finance department in Morgan's industries group since its formation in 1976.

*

Mr P. H. Chilton has been appointed marine underwriter for SPHERE DRAKE (UNDERWRITING). Mr Chilton succeeds Mr R. J. Bromley who has retired. Mr D. B. Newsome becomes deputy marine underwriter. Mr Martin J. Read has been made director of underwriting services.

*

FIFE INDMAR has appointed Mr Robert R. C. Taylor to its board. Mr Taylor is group managing director of Robert Taylor Ironfounders (Holdings).

*

Mr D. G. Burnham has been appointed a director of THE RENWICK GROUP.

*

Mr Michael Frost has been appointed manager of the Minories branch of LLOYDS BANK. He succeeds Mr Barry Taylor who becomes an assistant regional general manager at the Bank's City of London regional head office. Mr Frost was account manager at Lloyds Bank International.

*

Mr Michael Whiteman has been appointed marketing director of MEL, UK defence division of Philips Electronics, from July 1. He is divisional marketing manager of the Bracknell division of Ferranti Computer Systems.

*

Mr Robert Holmes à Court has been appointed chairman of BRYANSTON INSURANCE, Mr Derek Williams becomes deputy chairman. Mr W. Bert Renter and Mr Anthony Pinkett have been appointed directors.

*

Mr David White has been appointed the first sales director of ANCHOR HOTELS & TAVERNS part of the newly-formed Imperial Hotels & Catering.

*

Mr Derek Munt

Mr Derek Munt has been appointed director and general manager of FERRYMASTERS, responsible for the group's overall UK activities. The company is part of P & O European Transport Services.

TECHNOLOGY

EDITED BY ALAN CANE

Razor blade story should be the Philips message

Video and Film

By JOHN CHITTOCK

A SUBJECT which keeps cropping up in the video business at present is razor blades. It is inspired by the dramatic SelectaVision video disc player (down to below $250), partly made possible by disc sales nearly treble those originally expected.

This has led to the razor blade stories, repeated now on both sides of the Atlantic: give the razors away and make money from the sales of the blades.

The assumption is, of course, that most people know what a razor is for and what are its benefits. Regrettably, in the case of video disc technology, ignorance is of appalling proportions.

Last week, nine days after the UK launch of the Philips LaserVision video disc player, I set forth to discover how well the sales staff were doing in some of the few stores currently stocking the player. It was a depressing experience, and Philips should immediately order 100 copies of that old but excellent Rank training film called *Selling Benefits*.

Out of more than 30 video shops in Tottenham Court Road a mere three are supposed to stock LaserVision players—but only one window display is visible. In the John Lewis department store in Oxford Street, the LaserVision player is plugged into a Grundig stereo TV receiver — but the shop assistant failed to mention to me one of the more important advantages over current video recorders, high quality stereo replay.

Since John Lewis's do not sell video discs, it was also impossible for me to sample the only thing that might persuade me to buy a player—the programmes.

The man in Greens at Debenhams also failed to mention stereo. He also omitted to mention that discs can carry extra information as teletext pages —which is just as well because his player was not connected to a teletext receiver. He also made the extraordinary statement that "other two video disc systems, not yet available in the UK, can play conventional gramophone records too."

REW did much better, although only had 53 disc sleeves in the rack, and not all of these were available. At a shop in Brighton, a colleague counted only 16 sleeves.

So much for selling razor blades. Unfortunately, the Philips launch catalogue of 121 titles (of which possibly only 70 are currently available) again fails to stress the unique benefits of the video disc—86 are feature films and only 18 make use of the single framing, interactive facilities of the player.

Pessimism about the video is easy to find; not only because of this failure to exploit its unique qualities, but also because sales in the U.S. and Japan have been very disappointing. Yet the root of the problem is in programmes, because only with the right material will the public have a chance to grasp why video discs have benefits not offered by VCRs. No salesman to whom I put the question "why disc rather than a video recorder" could offer a convincing answer.

It increasingly looks as if only THORN EMI will provide this answer. Despite the delay in the launch of the JVC VHD disc system—to which THORN EMI is committed—the company is pursuing a seven figure development project in making programmes uniquely tailored to the benefits of the video disc.

Quality is the leit motif, reflected by the creative talents assembled—led by ex-television producer Peter Morley, whose past achievements included the outstanding series on the life and times of Lord Mountbatten.

Quality

Last week, my flagging spirits were boosted by a sneak preview of some of THORN EMI's programmes now in their impressive cutting rooms. Thus, the extraordinary motor car maintenance manual—a visual "honk" of 100 chapters and sub-headings. These go into extensive visual detail—such as The Electrical System (13 sections ranging from the battery, the distributor, the coil, through to bulb replacement).

What is so important about the samples I viewed is quality—quality of photography, of sound, of style, of conception, and of content. With many shot in 35mm film, by leading cameramen, it is refreshing to see instructional material which actually uses photography to show things better than the eye could possibly see them.

On discs, this technical quality is supported by superb stereo sound where relevant. No video recorder can match these experiences. But more important is the quality of concept whereby the user can not only control access to any part of the programme — as still pictures, repeat motion, etc. even choice of alternative sound tracks—but where the programmes themselves are intelligently designed to make full use of these facilities.

In the U.S., a few others are blazing such trails — such as the now famous *Kidisc* for children which is a compendium of games and tricks for young viewers, including how to make paper aeroplanes, interactive games, puzzles, etc.

For more specialised uses, American discs have included various medical and diagnostic programmes, even *The Puzzle of the Tacoma Narrows Bridge Collapse* (for physics and engineering students) — surprisingly a best seller.

New ideas are also being explored, like the legal course based on computer-controlled video discs where the law student plays the role of opposing counsel, raising points or objections (via the keypad) wherever he considers appropriate, at which the disc advances to the judge's "live" response. The same ideas could be extended to very popular consumer interests such as playing snooker, chess, even becoming a musician in a pop group.

The video disc really is a completely new medium, on which not only picture and sound quality offer great scope for music, ballet and opera but where a totally new grammar is under development. It brings to moving pictures the accessibility of the book, the page and the paragraph without the imposition of a syntax; and it offers the printed and spoken word the availability of moving pictures without the tyranny of a beginning, middle and end.

THORN EMI and JVC apart, it almost seems as if the video disc is too important to be left to the manufacturers. They are besotted with past cultures instead of the discovery of new ones. It would be a tragedy if this important medium failed now due to dyslexia. What chance for the book if Gutenberg had been illiterate, Chaucer deaf and Shakespeare dumb?

Faxing news from Versailles

IN THE wake of the Versailles Western summit, DAVID WHITE in Paris reports on the "Laundromat," claimed by the French to be the fastest "fax." It whizzed information between Versailles Le Monde in the capital and the FT in London.

For the past week a voluminous box has been sitting in the FT office in Paris. Resembling a rather cumbersome photocopier, its ephemeral purpose was to whizz facsimile messages in a matter of seconds direct from the Western Summit meeting in Versailles.

Instantly christened "The Laundromat," the machine is a prototype of the CIT-Alcatel 5500, claimed to be the fastest "fax" yet produced.

The manufacturers had to get the Post Office to instal special high-capacity lines—one to the FT, the other to Le Monde—in order to link us up with the press room at the Orangerie in Versailles, where, in the place of orange trees, France's latest electronic hardware has been on prominent display.

No expenses were spared in putting together this shop-window—the first specially-tailored system of its kind seen at a Summit. It shows, if nothing else, the continued degree of French political determination in the field of "telematics" — their own coinage for all the bits of technology where data processing, telecommunications and television overlap.

Under the Giscard administration, the PTT Ministry's big-spending Direction Générale des Télécommunications was often criticised for acting like a state within a state.

Directory

But the present Government has kept on every one of its ambitious projects—with the sole nuance that it has insisted on consulting users before pressing ahead with schemes like the electronic telephone directory, now on trial in Brittany.

Everything was brought into play for the 3,000-odd journalists and delegates at Versailles. As long as they could understand the operating handbook, they could play with video terminals to send messages to each other, find out about the weather, or about where to go at night, or about Japanese agriculture or test their knowledge of France in an electronic game.

President Reagan looks over his shoulder at a session of the Versailles summit unaware that the latest French technology was relaying information at high speed to leading newspapers in the UK and France

Alongside standard communications facilities and closed-circuit news broadcasts at the 35 "message points" installed for the Summit, both of France's two videotex systems were available: Antiope, which uses the television network, and the "interactive" Télétel system, which uses the telephone network.

The services offered on Télétel included a bilingual data bank of facts and figures and a "letter box" facility for which everybody had to be allotted a special access code.

As a final piece of technological exhibitionism, delegations were issued with "magic pads" on which they and their respective leaders could scribble automatically-transmitted confidential notes to each other.

The French are anxious to show they have been able to make up ground even in areas where they were initially slow to cash on. Facsimile transmission is a prime example.

The 5500 telecopier — unlike the other gadgetry on show, not yet commercially available, is claimed to be well ahead of the main Japanese rivals. Using a microprocessor, it "reads" a page in about three seconds, takes 15-29 seconds to send it, and prints out in three seconds, on ordinary paper: a different concept from current machines which transmit line by line.

The system is due to be installed in a public "Transfax" network in French post offices and will be able to transmit via the country's Telecom satellite when this comes into operation next year. CIT-Alcatel plans to market the machines through the network of its UK-based Roneo subsidiary.

High-volume "fax" transmission has its price—about £13,000 per machine, seven times the cost of some basic slower telecopiers. But the company hopes to sell it to big companies and banks.

"It's a slow market," a CIT-Alcatel executive admits. "You have to really believe in it to go ahead."

AS FOR THE ONE AT THE FT. THEY ARE COMING TO TAKE IT AWAY AGAIN.

How to beat corrosion in oxygen removal

BETZ of Winsford, Cheshire, has introduced Cor-Trol 778, a treatment for the removal of oxygen in industrial water which is necessary to inhibit metal corrosion.

The system, it is claimed, can reduce iron to a magnetic state thus making its removal from process lines much easier.

Cor-Trol is an aqueous blend of an organic oxygen scavenging material and neutralising amine.

It is a volatile scavenger and does not contribute to water solids which can damage boilers, heat exchangers and economisers.

Betz says that previously treatments have been sulphite- or hydrazine-based. The former is a solid which contributes to dissolved solids while the latter is dangerous to handle.

The treatment has been used successfully in the U.S. and Canada, but complete information is available from Betz, Nat Lane, Winsford, Cheshire (060 65 3477).

Software fortune seekers

"MOVING THE Mylar" is the name of the game among U.S. software houses now, and mylar salesmen are looking for the product which will make their fortune.

Mylar is, of course, the thin flexible plastic used as the base in cassette tapes. In software terms, it means selling small, specialised programs for microcomputers in thousands.

Perhaps the best example is Visicalc, a piece of software for solving business problems of the "what if" variety—income statements, cashflow statements and other reports are all possible.

Visicalc brought success to Apple, the microcomputer for which it was initially designed, and simultaneously spawned a host of Visicalc look-alikes.

Comparison

Now Comshare, the large North American computer bureau specialising in financial modelling, aims to move more Mylar than most with its Visicalc look alike, Plannercalc.

Its secret? Price. Mr Ian McNaught-Davis, Comshare UK md, intends to sell the package at between £35 and £40.

By comparison, Visicalc and its look-alikes sell in the £150 region.

Mr McNaught-Davis is clearly setting sprats to catch mackerels. Next up from Plannercalc is Master Planner and then there is Target Options, all at rock-bottom prices (compared with conventional software). At the top of the game, there is still Comshare with its massed Sigma 9 computers and well developed financial software to tackle the big business problems.

Plannercalc runs on any CP/M based 8-bit machine. Comshare will tell you more on 01-222 5665.

ALAN CANE

BASE LENDING RATES

A.B.N. Bank	13 %
Allied Irish Bank	13 %
American Express Bk.	13 %
Amro Bank	13 %
Henry Ansbacher	13 %
Arbuthnot Latham	13 %
Associates Cap. Corp.	13 %
Banco de Bilbao	13 %
BCCI	13 %
Bank Hapoalim BM	13 %
Bank of Ireland	13 %
Bank Leumi (UK) plc	13 %
Bank of Cyprus	13 %
Bank Street Sec. Ltd.	14 %
Bank of N.S.W.	13 %
Banque Belge Ltd.	13 %
Banque du Rhone et de la Tamise S.A.	13½%
Barclays Bank	13 %
Beneficial Trust Ltd.	14 %
Bremar Holdings Ltd.	14 %
Brit. Bank of Mid. East	13 %
■ Brown Shipley	13 %
Canada Perm't Trust	13½%
Castle Court Trust Ltd.	13½%
Cavendish G'ty T'st Ltd.	14 %
Cayzer Ltd.	13 %
Cedar Holdings	13 %
■ Charterhouse Japhet	13 %
Choulartons	13 %
Citibank Savings	¶12½%
Clydesdale Bank	13 %
C. E. Coates	14 %
Comm Bk of Near East	13 %
Consolidated Credits	13 %
Co-operative Bank	*13 %
Corinthian Secs.	13 %
The Cyprus Popular Bk.	13 %
Duncan Lawrie	13 %
Eagil Trust	13 %
E.T. Trust	13 %
Exeter Trust Ltd.	14 %
First Nat. Fin. Corp.	15½%
First Nat. Secs. Ltd.	15½%
Robert Fraser	14 %
Grindlays Bank	‡13 %
■ Guinness Mahon	13 %
■ Hambros Bank	13 %
Heritage & Gen. Trust	13 %
■ Hill Samuel	§13 %
C. Hoare & Co.	†13 %
Hongkong & Shanghai	13 %
Kingsnorth Trust Ltd.	14 %
Knowsley & Co. Ltd.	13½%
Lloyds Bank	13 %
Mallinhall Limited	13 %
Edward Manson & Co.	14 %
Midland Bank	13 %
■ Samuel Montagu	13 %
■ Morgan Grenfell	13 %
National Westminster	13 %
Norwich General Trust	13 %
P. S. Refson & Co.	13 %
Roxburghe Guarantee	13½%
E. S. Schwab	13 %
Slavenburg's Bank	13 %
Standard Chartered	‖13 %
Trade Dev. Bank	13 %
Trustee Savings Bank	13 %
TSB Ltd.	13 %
United Bank of Kuwait	13 %
Whiteaway Laidlaw	13½%
Williams & Glyn's	13 %
Wintrust Secs. Ltd.	13 %
Yorkshire Bank	13 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 10%. 1-month 10.25%. Short term £8,000/12 month 12.6%.

† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.

‡ Call deposits £1,000 and over 10%.

‖ 21-day deposits over £1,000 11¼%.

§ Demand deposits 10¼%.

¶ Mortgage base rate.

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05-11.37 For Schools, Colleges. 11.50 News After Noon. 11.55 The Visit of President Reagan: President Reagan's address to Parliament. 1.27 pm Regional News for England (except London) London and SE only: Financial Report; News Headlines. 1.30-1.45 The Flumps. 2.00 You and Me. 2.15-2.55 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 The All New Popeye Show. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Take Two.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.50 Ice Skating: St Ivel Gala of World Champions.
7.15 Triangle.
7.40 Lena, starring Lena Zavaroni.
8.10 So You Think You Know Your Rights?
9.00 News.
9.35 The Visit of President Reagan: Banquet given by The Queen in honour of President Reagan.
10.15 Wogan.
10.58 News Headlines.
11.00 Harry O, starring David Janssen.

Chris Dunkley: Tonight's Choice

There are worthwhile programmes on Radio 3 and Radio 4, but as the longest day approaches so television takes on its familiar summer look: lots of repeats and obscure movies, and a decided lack of fresh drama series, drama serials, documentaries and comedies. The Schedules are sorely in need of something such as "Not the Nine O'clock News," to brighten them up.

At 7.30 Radio 3 mounts a stereo relay of Prokofiev's **The Love of Three Oranges** from Glyndebourne. You won't of course be able to see Maurice Sendak's designs for this new production, but you will be able to hear Willard White's King of Clubs, Ryland Davies as his melancholy son, and Nelly Morpurgo as Fata Morgana the witch. Like "Gulliver's Travels" this opera has somehow acquired a reputation as being especially suitable for children despite its wholly adult attitudes.

On Radio 4, clashing with the opera, is **Origins**, a short programme about the compilation of the "Fresco File," a four-year survey of every known wall painting in England. Many new frescos have been discovered, including one containing the earliest known picture of a wheelbarrow!

Easily the best bet on television is ITV's **The Police And The Public**, another of Granada's occasional "hypotheticals" in which people with some particular responsibility discuss how they would handle imaginary but entirely realistic incidents.

BBC 2

6.40-7.55 am Open University.
9.00-9.20 For Schools, Colleges.
10.30-10.55 Play School.
12.05 pm For Schools, Colleges.
5.10 The Work of School Governors.
†5.40 Charlie Chaplin in "The Fireman."
6.10 Barry Norman in Chicago.
6.55 News Summary.
7.00 Spirit of Place.
8.05 The Cortége.
9.00 "The Evil Trap."
10.35 Cartoon Two.
10.45-11.35 Newsnight.

LONDON

9.35 am Schools Programmes. 11.35 President Reagan in London. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 My Father's House. 3.45 Home Sweet Home. 4.15 Porky Pig. 4.20 Runaround. 4.45 CB TV—Channel 14. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News, with Andrew Gardner and Rita Carter.
6.20 Help! Community action with Viv Taylor Gee.
6.30 Crossroads.
6.55 Reporting London.
7.30 "That Lucky Touch," starring Roger Moore, Susannah York, Shelley Winters and Lee J. Cobb.
9.00 The Brack Report.
10.00 News.
10.55 Middle East—The Longest War.
11.55 Crying Out Loud, with Anna Ford and James Maw.
12.25 am Close: Sit Up and Listen, with Pam Gems.

†Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 3.45 Looks Familiar. 5.00 About Anglia. 7.00 Gambit. 11.55 Quincy. 12.40 am Tuesday Topic.

BORDER
1.20 pm Border News. 3.45 Looks Familiar. 5.15 Jangles. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.55. Border News Summary.

CENTRAL
1.20 pm Central News. 3.45 Looks Familiar. 5.15 Jangles. 6.00 Crossroads. 6.25 Central News. 7.00 Emmerdale Farm. 11.55 Central News. 12.00 Angling Today. 12.30 am Come Close.

CHANNEL
1.20 pm Channel Lunchtime News, What's On Where and Weather. 3.45 Welcome Back Kotter. 5.20 Crossroads. 6.00 Channel Report. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.50 Channel Late News. 11.55 Nero Wolfe. 12.50 am Commentaires et Previsions Meteorologiques.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News. 3.45 Looks Familiar. 6.00 North Tonight. 7.00 The Electric Theatre Show. 11.55 Spellbinders. 12.25 am North Headlines.

GRANADA
1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Home Front. 3.45 Looks Familiar. 5.15 Happy Days. 6.00 This Is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 7.00 Emmerdale Farm. 11.55 Barney Miller. 12.25 am Late Night From Two.

HTV
1.20 pm HTV News. 3.45 Looks Familiar. 4.15 Ask Oscar! 6.15 Diff'rent Strokes. 6.00 HTV News. 7.00 Emmerdale Farm. 10.43 HTV News. 11.55 Portrait of a Legend.

HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Mwy Neu Lai. 4.15-4.45 Ar Ei Ol. 5.00 Y Dydd. 6.15-6.35 Report Wales.

SCOTTISH
1.20 pm Scottish News. 3.45 Looks Familiar. 5.10 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today, followed by Job Spot. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 11.55 Late Call. 12.00 Superstar Profile.

TSW
1.20 pm TSW News Headlines. 3.45 Welcome Back Kotter. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.57 TSW Late News. 11.55 Nero Wolfe. 12.50 am Postscript. 12.55 South West Weather.

TVS
1.20 pm TVS News. 3.45 Looks Familiar. 5.15 Watch This Space . . . Lemon of the Week. 6.30 Coast to Coast. 8.00 Coast to Coast (continued). 7.00 The Reaf World. 11.55 Brass in Concert. 12.40 am Company.

TYNE TEES
8.25 The Good Word. 9.30 North East News. 1.20 pm North East News and Lookaround. 3.45 The Riordans. 5.15 Jangles. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.55 North East News. 11.55 The Two of Us. 12.25 am The Sound of Silence.

ULSTER
1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Happy Days. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.54 Ulster Weather. 11.55 News at Bedtime.

YORKSHIRE
1.20 pm Calendar News. 3.45 Calendar Tuesday. 5.15 Jangles. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.55 Barney Miller.

RADIO

(S) Stereo broadcast (when broadcast on VHF)

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Talkabout. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2
5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 John Dunn (S). 8.00 The Golden Age of Hollywood (S). 9.00 Listen to the Band (S). 9.30 The Organist Entertains (S). 9.55 Sports Desk. 10.00 Tony Monopoly at the Variety Club. 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Vivaldi (S). 10.00 Bournemouth Sinfonietta (S). 11.10 Luciano Berio (S). 11.20 Chopin and Strauss cello and piano recital (S). 12.10 pm BBC Scottish Symphony Orchestra, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 BBC Scottish Symphony Orchestra, part 2 (S). 2.05 Tears of Pain and Joy (S). 3.20 Malcolm Arnold (S). 3.30 University of Wales Recital (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Jazz Today (S). 7.00 The Living Poet (Peter Levi). 7.30 Glyndebourne Festival 1982: "The Love of Three Oranges," opera by Prokofiev (sung in French); direct from Glyndebourne (S). 8.45 Going Good by Doing Little. 10.10 Northern Sinfonia of England (S). 11.15-11.18 News.

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.47 Yesterday in Parliament. 8.57 Weather; travel. 9.00 News. 9.05 Tuesday Call (Outdoor Eating). 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Thirty-minute Theatre. 11.33 Zoo Talk. 11.50 President Reagan's Address at the Houses of Parliament. 12.47 Village Vignette. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Never Been Kissed in the Same Place Twice. 4.00 News. 4.02 Lincoln Letter. 4.10 Enterprise Est. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Brain of Britain 1982 (S). 7.00 News. 7.05 The Archers. 7.20 Babytalk. 7.50 File on 4. 8.20 Constable Country. 8.50 Origins: The Fresco File. 9.05 In Touch. 9.30 The Banquet at Windsor Castle given by the Queen in honour of President Reagan. 9.59 Weather. 10.00 The World Tonight. 10.30 And So To Bed. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

FT COMMERCIAL LAW REPORTS

Director disqualified for not delivering accounts

RE CIVICA INVESTMENTS LTD AND OTHERS

Chancery Division (Companies Court): Mr Justice Nourse: May 27 1982

A DIRECTOR who leaves the discharge of his responsibilities to the company's accountants is not thereby excused for his failure to file accounts and returns; but the court, when deciding whether to disqualify him for such failure, or assessing the period of *disqualification*, should have regard to the circumstances and impose the maximum disqualification only if his defaults and conduct were of a serious nature.

Applying those principles, Mr Justice Nourse granted an application by the Secretary of State for Trade for an order disqualifying Mr Roger John Ansell from acting as a director. Mr Ansell was disqualified for one year.

Section 28 (1) of the Companies Act 1976 provides: "Where, on the application of the Secretary of State, it appears to the High Court that a person has been persistently in default in relation to relevant requirements of the Companies Acts, the court may make an order that that person shall not, without the leave of the court, be a director of or in any way, directly or indirectly, be concerned or take part in the management of a company for such period . . . not exceeding five years . . ."

* * *

HIS LORDSHIP said that Mr Ansell was a director of 13 companies, including eight of which he was the sole director. He admitted that in the case of all 13 companies he had been in default under the Companies Acts.

There had been 298 separate defaults from 1976 onwards, 252 in relation to accounts, and 46 in relation to annual returns. Mr Ansell was convicted in respect of 48 of the defaults relating to accounts, and 11 relating to annual returns. He was fined £585.

His first appearance in the magistrates' court was at the end of August 1980, and that produced considerable results in the way of bringing matters up to date. However, in the case of three of the companies, the necessary steps were not taken until January 1982.

In the present application the Trade Secretary sought an order pursuant to section 28 (1) of the Companies Act 1976, that Mr Ansell should not be a director without leave of the court, or take part in the management of a company, for a period not exceeding five years.

In mitigation, Mr Ansell asserted that until 1978 he took little or no part in the management of four of the companies. In 1978, when he took over their management, new accountants were employed who were in fact now the accountants and auditors to all 13 companies. They had had standing instructions to secure the companies' compliance with the relevant requirements of the Acts.

However, Mr Ansell said, notwithstanding those instructions, the accountants did not do what they ought to have done, and he had been under the false impression that the companies were duly delivering accounts and making returns.

He made the point, with respect to seven other companies, that five of them had never traded, and had no assets or liabilities; the sixth had not traded for some years, and there was very little activity within the seventh. He had mistakenly believed that it was unnecessary to deliver annual accounts in respect of any years in which a company had not traded. With regard to the other two companies, he said there were particular difficulties in preparing accounts.

The defaults of which complaint was made had now been remedied except in two cases. As to those, his Lordship was satisfied that Mr Ansell had done his belated best and was likely to be able to put matters right in the near future. There had been a few further defaults in the meantime, where again, Mr Ansell had been doing his best. He had expressed regret for his failure to comply with his statutory obligations, and said that it was not wilful or deliberate. He said he would do his utmost to ensure that his statutory obligations were complied with in future.

Section 28 of the 1976 Act gave the Companies Court power to order disqualification where the person concerned had persistently been in default in relation to the filing of returns, accounts and other documents. From June 15 1982, section 28 was to be replaced by an amendment to section 188 of the 1948 Act made by section 93 of the 1981 Act, but it seemed that the new power of disqualification would be no different from the old.

The power was something which should be dealt with comparatively briefly and without elaborate reasoning. It was undesirable for the court to be taken through the facts of previous cases in order to guide it as to the course to be taken in the particular case before it.

*

Although it appeared to have become the practice to ask for an order for the full five-year period, that was merely a maximum. What the court had to do was impose such period of disqualification, if any, as it might think appropriate, bearing in mind the upper limit of its power, and disregarding its further power to give leave to act in the future notwithstanding the disqualification. It would not be right to impose the maximum period of disqualification irrespective of the degree of blame involved, and then leave it to the person concerned to come back and seek leave to act in the future.

The fact that the five-year period was a maximum must, on general principles, mean that the longer periods of disqualification were to be reserved for cases where the defaults and conduct of the person in question had been of a serious nature, for example, where defaults had been made for some dishonest purpose, or wilfully and deliberately; or where they had been many in number and had not been substantially alleviated by remedial action and convincing assurances that they would not recur in the future.

The present case was originally one of extensive faults, even if not wilful or deliberate. Mr Ansell's plea that he left the discharge of his responsibilities to the accountants might be an explanation, but could not be an excuse for those defaults.

Had the defaults not already been substantially alleviated by remedial action, a disqualification of considerable length would have had to be imposed; but his Lordship took account of what Mr Ansell had done to put things right, and of his very convincing assurances that defaults would not occur in the future. On the other hand, it would not be right, in view of the number and extent of the defaults, and the time that it had taken to remedy some of them, to impose no disqualification at all.

The case depended on its own facts, and in the circumstances Mr Ansell should be disqualified for one year.

For the Secretary of State: John Mummery (Treasury Solicitor). For Mr Ansell: Christopher Brougham (David Lee and Co.).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

GAVIN Pritchard-Gordon, whose Newmarket team has made little impact this season, must be hoping that Bless the Match can improve matters at Lingfield today.

One of eight runners for the six-furlong Leisure Stakes — a listed race for three-year-olds and upwards carrying £12,000 added prize money — this course-and-distance winner is thought ready to show improved form from when she chased home Gabitat, Worlingworth, and Davenport Boy in Kempton's Victor Wild Handicap.

Still on the backward side in that event, she looked the each-way answer to this afternoon's event.

Of the Newmarket filly's rivals, Travel On and Admiral's Princess are the most promising. Admiral's Princess, a well-beaten fifth when second-favourite behind Cajun for Haydock's Gus Demmy Memorial Stakes, had previously touched off Celestial Dancer in Newmarket's Holsten Diet Handicap. The booking of Carson for Peter Walwyn's Travel On suggests that the Tachypous filly can leave her disappointing Duke of York Stakes showing behind.

A second possible winner for Walwyn's Seven Barrows stable, which used regularly to turn out one of the season's biggest total of winners, is Kwela in the Manor Maiden Fillies Stakes. There was much to like about the way this strongly made Dance In Time filly kept on against three sharper rivals — Bumpkin, Spindle Berry and Mysotis — when taking fourth place in Salisbury's five-furlong Rubbing House Stakes.

Sure to be ideally suited by the additional furlong of the Manor Maiden, Kwela, a half-sister to Candy Castle and Main top, will be hard to beat. She appeals as the day's best bet on the Surrey course.

Patrick Haslam's runners at Hamilton are, as usual, not to be ignored this evening. Two possible winners for him there are Mott the Hoople, among the runners for the Wylie Handicap, and Naishapur, who has the disappointing Mardi Gras to beat in the closing Saints and Sinners event.

LINGFIELD

2.30—Bless the Match*
3.30—Chads Gamble
4.30—Kwela***
5.00—Hot Mantle

HAMILTON

7.00—Shalaby
7.50—Mott the Hoople
8.20—Johnnie Hussar
9.20—Naishapur**

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

ICFC risks more to stay the course

Tim Dickson explains the shifts in the finance group's strategy

LIKE ALL healthy institutions which plan to survive, the Industrial and Commercial Finance Corporation has had to re-examine its role in the light of changing circumstances.

Founded in 1945, ICFC has grown consistently in stature over the last 37 years and has established itself as probably the leading UK provider of specialist long-term finance for the smaller business. Over this period it has carved out an enviable niche in a hitherto neglected market.

Today, however, its managers would have to admit that things are not necessarily going all their way.

Political enthusiasm for the small firms sector has been accompanied by a big explosion in the number of other sources of small company finance. Clearing banks, merchant banks, investment trusts and specialist funds have all plunged into the long-term risk capital market to such an extent that Lord Caldecote, ICFC's chairman, said in his annual statement last year that there is now too much money chasing too few situations.

This "equity glut" provides a potentially serious challenge to a financial group whose customer base, unlike other major financial institutions, is exclusively the small- to medium-sized business.

Herein, however, lies one of its major strengths. For over the last four decades ICFC has built up what it would claim is an unrivalled expertise in assessing risk and devising financial packages for the small firm.

ICFC is 85 per cent owned by the English and Scottish clearing banks which, at the end of the Second World War, reluctantly responded to Government pressure for a new institution to help finance smaller firms. (The other 15 per cent of ICFC is held by the Bank of England.)

Its early existence was precarious enough with the banks (notably the Westminster Bank) keen to limit the scope of their new offspring. Today, however, while the relationship with shareholders is still not always easy, ICFC's success at achieving its initial objectives can hardly be challenged. Its portfolio of around £450m in roughly 3,700 smaller businesses continues to grow apace.

ICFC arranges deals of as little as £5,000 (though these are admittedly rare) up to a maximum of roughly £2m. Long term loans (up to 20 years) plus equity finance are its traditional weapons, but Sue Palmer, business development manager based at the group's Waterloo Road, London headquarters, stresses that ICFC's hallmark is a package tailored to suit individual requirements.

"We go into a meeting with a prospective client with an open mind, not with a little bag of 'products'," she says. "What we are making is a commercial assessment, not a credit assessment. We are saying to ourselves 'Will this business survive?', 'Is there really any upside potential?', 'Is the management really committed?' From this approach comes our ability to adapt schemes to suit particular circumstances."

Technology

Much of the skill, of course, depends on the quality of the ICFC teams which are scattered round the country in its 22 area offices (including London).

Very roughly ICFC's managers are one-third accountants, one-third business graduates (most of whom have done a spell in industry) and one-third graduates who have joined straight from university. There are no former bank managers on the staff.

In spite of this mix, which is consciously reflected in area offices, ICFC is sometimes accused of not always having the proper technical skills to understand, say, high technology businesses. Palmer counters this by pointing out that the group has a full-time management advisory service based at Solihull. Staff there include technical experts who can be called in by any ICFC manager to check out market and product information.

Robert Smith, ICFC's assistant general manager, adds. "In any case, we don't want to know that the total world market is 500m widgets when the guy we are being invited to back is going to sell only 50,000. What we want to know is how he is going to sell those 50,000."

While ICFC undoubtedly has misgivings about some of the City institutions which are throwing money at the small business sector, the extra competition does not appear to have dampened down demand for its own services.

In the year to the end of March 1982, for example, ICFC is understood to have beaten (though only just) the 1,114 deals completed during the 12 months to March 1981. The book value of these new investments, moreover, comfortably topped £100m in 1981/82 (£97m in 1980/81).

It is clear, however, that ICFC is having both to be more aggressive in its marketing—advertising on TV, for example, was a new departure last year—and to adapt more and more quickly to changing conditions.

The increasing emphasis on start ups and mangament buy-outs has continued. In the 12 months to March 1981 some 400 new businesses (those up to three years old) were financed but in 1981/82 this figure was probably about 10 per cent higher. Well over 100 management buy-outs were supported in the most recent period—comfortably more than by any other single institution — compared with 69 in 1980/81.

Smith comments: "The rate of change at the moment is faster than ever. We have adapted in the last few years by taking more risks and becoming more flexible in the type of deals we are prepared to finance. We know that we are taking more risk than we did five years go."

In spite of increasing its business, ICFC insists that it is not "pumping out money for its own sake."

"We have around 2,000 equity stakes, of which around 150 are currently in receivership or liquidation," says Palmer. "Last year this figure was about 110. A lot of our effort has been going into helping companies ride out the recession and monitoring the existing portfolio. Managers are not just rewarded for acquiring new business."

Robert Smith and Sue Palmer: stressing ICFC's greater flexibility, but denying that it is "pumping out money for its own sake."

"What worries us are some of our competitors who are uninformed. We have seen companies financed with structures which we think are wholly inappropriate and a lot of them are going to fail. We know from our own statistics, for example, that one in three of the new businesses we back do not succeed."

The extent of ICFC's "after care" service is an issue currently exercising its corporate mind. "The larger, more profitable and well managed company may only require us to go to its annual meeting but at the other end of the scale, where there may be limited managerial experience, our people may need to spend as much as half a day a month," says Palmer. "On these occasions we would be asking for financial information which they might not normally think about and we would be acting as a sounding board for any problems."

Alternatively ICFC might appoint a nominee non-executive director — an outsider rather than an ICFC employee. "We are recognising more and more that those involved with start-ups have experience of their product but there are many other sides to running a business and that is where they may need help." This is a delicate area for ICFC, though, for many entrepreneurs fight shy of what they see sometimes as "interference." ICFC, moreover, has traditionally emphasised its "hands off" approach.

In common with other providers of equity finance, ICFC is frequently the target of criticism that its funds are expensive. Like other private sector institutions it is in business to make a profit but unlike, say, the clearing banks, it does not benefit from the "endowment" effect of big current account balances.

All loan funds have to be raised on the open market and are matched against the term of a customer's borrowing. This is why ICFC charges a penalty for early repayment.

ICFC is also felt to drive a hard bargain when it takes an equity stake — these are financed entirely from its own reserves. The point was illustrated in a recently filmed case study of an ICFC-backed company where the interviewer asks the entrepreneur "When did you first feel that the business really belonged to you?" He immediately replies: "ICFC owns the company." This was a tongue-in-cheek and inaccurate response — ICFC only holds a 20 per cent stake in this case and never accepts a majority shareholding — but one which nevertheless represents a not untypical reaction.

The ambivalence of the entrepreneur towards giving away equity is one cross which it has to bear but where ICFC is unsecured and taking a risk it insists that it has to seek a commensurate reward. An institution which is looking for tough, resilient management, however, should not be upset if it encounters tough bargaining from the entrepreneur.

Amendments to Finance Bill

SMALLER BUSINESSES have not yet been much affected by the Finance Bill's fairly sedate passage through Parliament—but there have been a couple of minor amendments so far which should bring some cheer.

One concerns the Business Start-up Scheme, first introduced in 1981, which allows individuals to claim tax relief at their top marginal rate of income tax on investments in a new company. The limit in 1981-82 was £10,000 per person but in his Budget speech the Chancellor announced that this would be raised to £20,000, both this year and for 1983-84. Moreover, unused relief last year could be carried forward.

This increase in the scope of the scheme satisfied some lobbyists—but there has been much criticism of the rule that investors are not entitled to claim relief until 12 months after the qualifying company has begun to trade. This clearly was seen as a discouragement to investors in a business with, say, a long development programme.

Now, however, the Government has reacted to pressure and has inserted its own amendment to Clause 45 of the Bill with the purpose of reducing the "waiting" period to four months.

The other change concerns Value Added Tax and Clause 12. This caused anxiety for some people because it implied that if at the end of a 12-month period a business's taxable supplies fell below one half the registration limit (£17,000 as increased in the Bill) the Commissioners of Customs and Excise could compulsorily order deregistration.

Thanks to a Government amendment which will be made at the Report stage, the effect of this clause will be withdrawn. It means that a business whose turnover is below the registration limit can continue to be registered and reclaim VAT on its "inputs" (eg materials).

So far the Bill is still passing through the committee stage with discussion due to resume today at Clause 47. This means that issues such as the purchase by a company of its own shares and the indexation of capital gains tax have not yet been considered. The capital gains tax proposals—although widely welcomed in principle—have generated more heat than most. In particular, lobbyists would like to see relief for inflationary gains granted retrospectively, relief against losses and the abolition of the rule which prohibits indexed relief for the first 12 months after purchase.

In brief

APPLICATIONS continued to flood in last month for the extra £10m allocated by the Government to the Small Engineering Firms Investment Scheme on top of the original £20m. About 1,000 companies had sought assistance before the announcement of the extra allocation and several hundred more are understood to have applied subsequently. The scheme provides for a 33⅓ per cent grant for small firms towards investment in computer numerically controlled machine tools. The scheme has now closed.

Still available, on the other hand, is the Products and Processes Development Scheme (PPDS), which comprises a number of separate schemes administered by the Department of Industry aimed at particular sectors. These primarily support research and development and product development work and are open to firms of all sizes. The grant available was recently increased from 25 per cent to 33⅓ per cent of a qualifying project. Further information on the criteria applied can be obtained from any Department of Industry Regional Office or Small Firms Advice Centre.

●

THE Intermediate Technology Development Group has turned its spotlight on the printing industry in the second of a series of reports on changes in seven different industries.

The report, Making an Impression*, examines small scale printing equipment, work patterns, industry organisation, the efficiency of small operations and the impact of new technologies. About 95 per cent of printing firms in the UK are small and they account for about half of printing sales and almost half the employment in the sector.

The first ITDG report was on brewing; subsequent reports will investigate car repairs, brick-making, wool textiles, plastics recycling and dairy processing.

* *Available from ITDG, 9 King Street, London WC2E 8HN, price £2 each or £12 for a complete set. Telephone 01-836 9434.*

●

SMALL businesses often complain about the law on unfair dismissal, arguing that it can be a major disincentive to taking on new employees.

A booklet* just published by the Department of Employment both sets the relevant rules in perspective and provides a useful guide for firms without trained or experienced staff to deal with them.

The booklet says that less than a tenth of all dismissals in a year result in unfair dismissal claims; two thirds of these are settled without a hearing—about half are withdrawn, the rest settled by voluntary agreed compensation; in only 25 per cent of the cases was dismissal found to be unfair; and the amount of compensation awarded by tribunals was less than £400 in more than one third of the "unfair cases", and less than £750 in more than half of them.

**The Law on Unfair Dismissal—Guidance For Small Firms, By Joan Henderson. Available free from Employment offices, Job Centres, Unemployment Benefit Offices, and Department of Industry Small Firms Centres.*

●

"A SMALL business is a business that is managed by not more than three managers, or whose workforce does not exceed 100 persons."

These words are not written lightly for they appear on page 433 of a new book, by Dr Leah Hertz called "In Search of a Small Business Definition."

Dr Hertz has not failed to do her homework, as the subtitle — "An exploration of the Small-Business Definitions of the U.S., the U.K., Israel and the People's Republic of China" — would suggest. There are also references to the Federal Republic of Germany.

Copies of the book, published by the University Press of America (454 pages, soft cover), are obtainable in London from Dillons, Foyles, Sweet & Maxwell, The Alternative Bookshop and Wildy & Sons and in Manchester from Haigh & Hockland. Price £12.50.

Tim Dickson

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38 FT T.S.D.Y. OCEAN PILOT
Lloyds 100 A1
Mahogany on oak construction. 6/7 berth. Full sea going equipment. Radar, VHF/MW radio etc. Full inventory. Complete refit.
£32,000 ONO
Would consider part-exchange
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FOOD MANUFACTURERS

Worried about rising costs?
A NW company selling to food manufacturers and wholesalers offers the services of its eight salesmen, own delivery vehicles and distribution warehouses to any company wishing to develop their own operation.
Alternatively the company would be interested in acquiring a food manufacturer not necessarily in a similar field.
TEL: 051-709 8607 Mr Sheridan

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Fully secured has storage space available. Part of company handling service and assembly of electrical and electronic equipment so staff acquainted with need for careful handling.
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Investor with relevant experience seeks interest in the above. For initial discussion please telephone:
(01) [illegible] 1666

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Building on its well-established foundations, Cranfield School of Management's Senior Managers Programme has been updated to meet the needs of the rapidly changing business world which now confronts us.

The 5-week programme attracts senior managers from a wide range of organisations and they benefit from an exchange of views in a stimulating and challenging learning environment. The SMP particularly helps the manager who has been a functional specialist and has only superficial knowledge of other branches of management. It concentrates on policy issues at both corporate and functional levels. Through working together on real and comprehensive problems and familiarising themselves with the language and techniques in use, participants are helped to become more effective members of a management team.

Dates: November to 17 December 1982.

Cranfield School of Management—Tel. Bedford (0234) 751122.

To: Mr. Fergus Panton, Course Tutor, Cranfield School of Management, Cranfield, Bedford MK43 0AL.
Tel: (0234) 751122. Telex: 826559.
Please send me further information on the Senior Managers Programme.

Name
Job Title
Company
Address
Tel. No. Ref. No. CS125

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This cash voucher entitles your company to an immediate

75% CASH AGAINST INVOICES

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Need cash now? You've got it right there on your books! We will give you 75% cash against your invoices—money you can put to work today. You get the 25% balance, less our charges, when your customer pays. And the customer remains totally unaware of the arrangement. Post this voucher now with your name and address, or phone us.

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Telephone: Brighton (0273) 21211 Telex: 87382

Food Production Capability

- Capacity exists immediately for the blending and packing of dry food products for bulk use or subsequent packaging.
- We are able to offer a highly competitive complete co-packing service with formulation development and quality assurance of the highest level.

Facilities also exist for national distribution if required.

Please contact advertiser to discuss opportunities.

Write Box F3205, Financial Times, 10 Cannon Street, EC4P 4BY.

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Can we help with your plans for expansion/rationalisation? Professional company with multidiscipline resources offers Engineering Design Services. 21 years experience on wide variety of industrial projects: Petrochemicals, Chemicals, Food, Dairy, Breweries, etc.

Contact: Peter Vickers, Pipco Projects Limited
26 High Street, Hounslow, Middlesex TW3 1NW
Tel: 01-572 7363. Telex: 935413

DIRECTORS OF HIGHLY PROFITABLE MEN'S CLOTHING MANUFACTURERS/RETAILERS

Seek Company with substantial funds to capitalise their interests and are willing to remain under contract as required

Write to Principal, Box F3259, Financial Times 10 Cannon Street, London EC4P 4BY

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is still in a position to arrange up to £5,000,000 for

1. Corporate Finance
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Minimum £50,000

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OFFICE FURNITURE

40% OFF LIST PRICE
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In rosewood, walnut, light oak and other finishes
Executive and operational ranges
Complete office furniture brochures available on request
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BUSINESSES WANTED

ADVERTISING AGENCY REQUIRED

Substantial Group of Companies with diversified interests is seeking to purchase for cash a small to medium sized Advertising Agency (recognised or unrecognised).

Please reply in strict confidence to:—
THE GROUP'S AUDITORS
FRIEND & COMPANY
Chartered Accountants
113 GLOUCESTER PLACE
LONDON W1H 4DD

WANTED

HIRE PURCHASE OR LOAN COMPANY

OR

BLOCKS OF HIRE PURCHASE AGREEMENTS

to merge with existing business
Please contact:
J. M. Whitney, North Wales Trust Ltd
43 Calthorpe Road, Edgbaston, Birmingham B15 1TS

SMALL PUBLIC COMPANY

seeks to acquire profitable Company with good potential
For cash or shares
Write Box G8032 Financial Times 10 Cannon Street, EC4P 4BY

PROPERTY COMPANIES WANTED

AGENTS RETAINED
Full details in confidence to:
Box G.8031
Financial Times
10 Cannon Street
London EC4P 4BY

WANTED

We seek to acquire
CONTRACT HIRE COMPANIES
currently operating car and van fleets in excess of 100 units
Please write in the strictest confidence to:
The Managing Director
COWIE CONTRACT HIRE LTD
Hylton Road, Sunderland
Tel: 0783 44122

ACQUISITION WANTED

Well established private company situated in the North West seeks to acquire profitable business or businesses, preferably with established and stable management and also sited in North West.
Write in strictest confidence to Box G8013, Financial Times 10 Cannon Street, EC4P 4BY

ENGINEERING

MANUFACTURERS OF DIAMOND IMPREGNATED CUTTING TOOLS
Home and Export Market
Principals only apply
Write Box G8000, Financial Times 10 Cannon Street, EC4P 4BY

REQUIRED

MACHINE TOOL COMPANY
with substantial tax losses, preferably in the Midlands area
Write with full details to:
Cooper-Parry, Watson, Sowter & Co
102 Friar Gate, Derby - Ref: RWL

MANUFACTURING BUSINESS WANTED

Central Southern England
Consideration about £0.5m
Write Box G8004 Financial Times 10 Cannon Street, EC4P 4BY

INVESTMENT COMPANY

seeking to purchase
TRAVEL AGENCY
with IATA Licence
Principals only apply
Write Box G8029 Financial Times 10 Cannon Street, EC4P 4BY

OLD COMPANY WANTED, 80 to 100-year-old, either private or public company. Cash purchase. Tel: Mr. Collett, 01-839 1068.

BUSINESSES FOR SALE

MYOTT MEAKIN LTD.

Opportunity to acquire well-known Pottery business established over 100 years.

Situated at Alexander Potteries, Stoke-on-Trent in freehold premises of some 190,000 square feet.

Turnover approx. £2.5m per annum including extensive export business.

Skilled work force of some 200 employees available.

C&L

Cork Gully

Interested parties should contact the Joint Receivers Richard Stone, Roger Hatton, 43, Temple Row, Birmingham, B.14. Tel: 021 233 1100

Secondary Aluminium Smelting
West Midlands

The business and business assets of J. FRANKEL (ALUMINIUM) LTD., are for sale. A well established business engaged in the activity of conversion of aluminium scrap into ingots from well situated modern freehold premises. The business operates from premises in Cannock, West Midlands. Turnover approximately £11.5 million.

Enquiries to the joint Receivers and Managers:- D.J. Corney and I.D.B. Bond.

Deloitte Haskins+Sells

Edmund House, 12/22 Newhall Street, Birmingham B3 3DX.

FOR SALE

Assets of long-established £1½ million turnover precision and general engineers serving world markets, including freehold or leasehold of 17,000 sq.ft. premises in Bristol. Principals only please contact:

Touche Ross & Co.

J. A. Heaford, Touche Ross & Co., Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP. Tel: (0272) 211622. Telex: 44365

PRINTERS FOR SALE

Medium sized (£5.5m turnover) Printing Company for sale situated in southern England. The company which has an impressive profit record (last year 10.5% of sales) is well equipped with modern equipment. Enquiries are sought from principals only who have adequate resources available not only to purchase outright this sound investment but who can maintain financially a business of this size.

Applications in writing should be made to the Advertiser, Box G8023, Financial Times 10, Cannon Street, London, EC4P 4BY

TIMBER GROUP
FOR SALE OR AMALGAMATION

Privately owned timber group with own sawmill and kilns on 10-acre freehold site. Group assets approx. £1.5m. Enquiries to Managing Director, Box G8020, Financial Times 10, Cannon Street, London, EC4P 4BY

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ESTABLISHED 1777

CHARTERED SURVEYORS Auctioneers, Valuers & Estate Agents

EXETER STRUCTURAL STEELWORK COMPANY FOR SALE

Freehold, fully equipped 29,500 sq. ft. buildings on 1.57 acre site £400,000 or offers

Ref.: 1/2079

TELEPHONE: 0392 50441

DOUBLE GLAZING

NORTHERN BASED DOUBLE GLAZING COMPANY

Established over 10 years. Very high level of customer recommendation. 15 week order book. Current turnover £4m, profits £375,000. Substantial cash deposits. Owner interested in selling part or whole — price indication £1.25m.

EXECUTIVE FINANCIAL SERVICES

Danlee Buildings, Spring Gardens Manchester M2 2BY

CHRISTIE & CO

RECEIVERSHIP SALE SHOP FITTERS

EXHIBITION & DISPLAY STAND MANUFACTURERS

Established 1955 — Near Heathrow Equipped Factory Premises 13,000 sq ft Small Office Block 1,340 sq ft Valuable Lease

OFFERS IN EXCESS OF £25,000

Apply: 32 Baker Street London W1M 2BU - Tel: 01-486 4231

WINE BUSINESS

A company with various other interests is prepared to sell its fully equipped wine bar (2,000 sq ft) and wine & spirits cash and carry (2,000 sq ft). Situated Central London. Successful and profitable going concern. No liabilities to be taken over by purchaser. Substantial only required. Please reply to:

Box G8021, Financial Times 10 Cannon Street, EC4P 4BY

ELECTRONIC HOBBY KIT MANUFACTURERS

National and International customers. Own product and Japanese franchises. Sales £200,000 pa Write Box G8014, Financial Times 10 Cannon Street, EC4P 4BY

NEW COMPANY

Providing use of computer word processing. Photographic processing, sand blasting, pottery, etc. needs equity to expand concept. Probable start-up status.

For further details: Phone 01-445 0033

RETAIL GROUP FOR SALE

Attractive NW company with 13 shops plus warehouse, factory and offices. Retailing books, cards, fancy goods and confectionery for sale at nett asset value.

Write Box G8017, Financial Times 10 Cannon Street, EC4P 4BY

ESTABLISHED MACHINERY IMPORTING COMPANY FOR SALE

Substantial freehold asset Possible tax losses available Contact Box G8019, Financial Times 10 Cannon Street, EC4P 4BY

THE CHAIRMAN OF SUCCESSFUL NORTHERN MANUFACTURING COMPANY

is retiring and wishes to offer for sale the private limited Company with full order book. Currently manufacturing various types of Seat Trim for the Automotive Industry and substantial Ministry of Defence contracts. Also 2.75 Acres Freehold Factory. Please contact the Managing Director. Write Box G.7678, Financial Times, 10 Cannon Street, London EC4P 4BY.

WELL ESTABLISHED IMPORT/EXPORT and Confirming House for sale due to retirement. Turnover £450,000. Write Box G.8024, Financial Times, 10 Cannon Street, London, EC4P 4BY.

NATURAL VITAMIN SUPPLEMENTS/Cosmetics marketing. Complete new business ready for launch. Offers over £15K. Wokingham 786896.

COMPUTER SERVICES

A well established Computer Services Company, whose majority shareholder is a respected public group, is seeking to expand its operations by investing in businesses involved in the following areas:—

1. Bureau operations using Data General, ICL, Hewlett Packard, CTL equipment.
2. Computer contract staff.
3. Mini-computer turnkey systems.

Retention of existing management would be welcome

Interested parties are invited to send preliminary details to the Managing Director:

Box G8018, Financial Times 10 Cannon Street, London, EC4P 4BY

Strictest confidentiality will be observed

FOR SALE
THE BUSINESS OF SCREEN PRINTING, CONVERTING AND DESIGN

Screen-printers, creative designers and producers of point of sale display material, including film laminating, gumming, varnishing, latex coating, metal rimming, board lining and mounting.

LOCATED CHINGFORD, LONDON E4

Turnover approximately £1.1 million

MODERN PLANT AND EQUIPMENT

Further information:

A. R. Houghton, TOUCHE ROSS & CO., P.O. Box 137, Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011

Golf Course and Driving Range for sale

This attractive freehold par 3 golf course and flood-lit driving range is offered for sale as a going concern. The existing profitable facilities have potential for significant future growth via the development of a clubhouse and bar for which planning permission has been obtained.

Further details from N Handley-Jones on 01-638 2772

Thomson McLintock Associates 70 Finsbury Pavement London EC2A 1SX TMA

Meat Production & Boning Plant
Basildon, Essex

A new fully EEC approved leasehold plant, 5000 sq.ft. working area, with chilling, freezing and blast freezing facilities in a modern industrial estate.

Further details from I.D.B. Bond Esq., FCA

Deloitte Haskins+Sells

PO Box 207, 128 Queen Victoria Street, London EC4P 4JX.

FOR SALE AS GOING CONCERN

Manufacturers of factory built accommodation units based in North Midlands. Modest sized company with 24 employees. The company is based upon engineering activity in a modern leasehold premises and has an expanding order book.

Annual turnover approximately £734,000.

All enquiries to:

THORNTON BAKER Eldon Lodge, Eldon Place, Bradford West Yorks BD1 3AP Tel: 0274 34341 Telex: 51611 TB BFD-G Reference: AVF/R36405

FOR SALE

Well established Injection Moulding Company in Leicester area. Modern compact factory on low rental, turnover approx. £125,000 pa. Opportunity of expansion for energetic purchaser with management skills. Machinery £20,000 (dealer's valuation) excluding moulds. Raw materials and stocks valued at £15,000 approx. Business could be relocated.

PRICE FOR QUICK DISPOSAL £60,000 ono

For further details contact Box G8021 Financial Times, 10 Cannon Street, London EC4P 4BY

TRAVEL AGENTS FOR SALE

Branches in London and Provinces IATA and ABTA licensed £3—£4 million turnover p.a.

Quick sale — serious purchasers apply with offer to Box G.8002, Financial Times, 10, Cannon Street, EC4P 4BY

FOR SALE
West Midlands

An old established builders merchants with freehold premises with room to expand or relocate to another freehold site with D.I.Y. potential and excellent office accommodation.

Write Box G8010, Financial Times 10 Cannon Street, EC4P 4BY

FOR SALE
FORD RETAIL DEALERSHIP
EAST MIDLANDS

Long established dealership well situated near industrial towns. Ideal for development of fleet business. Busy forecourt and workshop with MoT facilities. High profit potential. Freehold £80,000. Stock and assets at valuation. Goodwill negotiable. Write Box G8011, Financial Times 10 Cannon Street, EC4P 4BY

COMPUTER BUREAU

10 YEARS TRADING

Turnover £½m+ — Profitable 100% Equity available Principals only please Write Box G8025, Financial Times 10 Cannon Street, EC4P 4BY

FOR SALE
SMALL PUBLIC COMPANY

Extensive agreed capital tax losses. Cash assets. Controlling interest available

Write Box G8026 Financial Times 10 Cannon Street, EC4P 4BY

BUSINESS FOR SALE IN EDINBURGH

with or without large premises in City Centre

BUILDERS AND MANUFACTURING JOINERS

plenty of scope for expansion

Write Box G6702, Financial Times 10 Cannon Street, EC4P 4BY

BUILDERS MERCHANTS
YORKSHIRE
T/O £3M

Further details from owners' agents PARTRIDGE & CO. 24 Woodmere Way Beckenham, Kent - 01-650 3314

TRANSPORT BUSINESS, YORKSHIRE. T.O. £1m. Agents for sale. Full details from Woodmere Way, Beckenham, Kent. 01-650 3314.

By Order of the Joint Receivers & Others re: Alpine Sports Group

OPPORTUNITY TO ACQUIRE Leading

SPORTS EQUIPMENT RETAILER

Established Trading Locations London, Brighton, Manchester, Leeds, Edinburgh and Glasgow

Good sized units

1981/82 Turnover: £5M+

Offers considered for Business or individual locations

Full details from:

EDWARD SYMMONS & PARTNERS

56/62 Wilton Road, London SW1V 1DH

01-834 8454 Telex: 8954348

FOR SALE — AUSTRALIAN CONSTRUCTION COMPANY

A well established Construction Company engaged in commercial construction seeks enquiries from other persons with a genuine interest in purchase.

The company is located in Queensland, Australia and operates throughout that State. Current turnover will exceed A$5 million and forward contracts are held for A$6.5 million on Government and semi-Government projects. Profit before tax has averaged more than A$200,000. Principal is prepared to negotiate a service agreement. The Company operates in an environment experiencing excellent growth and expansion. Population in Queensland has risen steadily and increasingly since 1977, and this trend is expected to continue, providing good prospects in this industry. The suggested sale price is A$1 million, excluding freehold land and buildings situated in well located area. The land and buildings could be acquired subject to negotiation.

Written enquiries should be forwarded to: A. J. L. Durie, Binder Hamlyn, 8 St. Bride Street, London EC4A 4DA.

By direction of the Trustees

UNIQUE OPPORTUNITY TO ACQUIRE THE LONG LEASEHOLD INTEREST AND ASSETS OF THE

WESTOVER ICE RINK

ALSO THE FREEHOLD OF THE

PLAYHOUSE & GALAXY THEATRE/CINEMA

IN BOURNEMOUTH

Bernard Thorpe and Partners

Old Library House, 4 Dean Park Crescent, Bournemouth Tel: (0202) 21821

WELL RUN SOUTH COAST COMPANY

FOR SALE

Products sold are of our own manufacture

THE COMPANY OFFERS:

1) Its own distribution throughout the United Kingdom
2) Full/strict management control
3) Expansion and growth with a full order book

INCLUDED ARE:

1) Freehold units
2) Other assets
3) Sizeable cash deposits at bank

TURNOVER:

Current year 1981/82 £680,000+ with good profits

Projected year 1982/83 £1.1 million with good profit margins

This is an ideal opportunity for a company wishing to diversify, or for a company that has/requires a successful expanding portfolio

ASKING PRICE:

Offers on £675,000 (Eight Hundred and Seventy Five Thousand Pounds)

Principals only need apply (no time wasters please) to the Managing Director, Box G8022, Financial Times, 10 Cannon St, EC4P 4BY

The business and assets of a modern
BLACK IRON FOUNDRY

Occupying a substantial freehold site capable of division, in the Manchester area and currently employing 115 direct and indirect staff. Weekly night-time melt capacity from 3 year old leased electric furnaces of approximately 230 tonnes.

Principals only reply in confidence for further details to:

Box FT/750, c/o St. James's House 4/7 Red Lion Court, Fleet Street, London EC4A 3EB

FOR SALE

LONG ESTABLISHED, HIGH QUALITY, INDEPENDENT CAR AND LIGHT COMMERCIAL CONTRACT HIRE AND LEASING COMPANY

Very competent management team available plus ample corporate funds to support growth and possible diversification into allied fields. Ideal opportunity for large company wishing to diversify and/or cut costs on company cars, financial or investment institution, or similar trading company.

Please write for initial details to:

Box G8028, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRICAL CONTRACTORS

Established Central London firm, with own freehold offices and stores, good order book, turnover approx. £800,000 pa. Ideal as subsidiary for building contractors or as complementary activity for mechanical engineers.

Principals only should write to Box G8016, Financial Times 10 Cannon Street, EC4P 4BY

PROFITABLE AIR-CONDITIONING CONTRACTING COMPANY
FOR SALE

Established 20 years, turnover £6/700,000 pa, with regular service and maintenance operation, from freehold premises in South London. Integrated takeover possible.

Only Principals considered

Write Box G8012, Financial Times 10 Cannon Street, EC4P 4BY

NORTHERN FROZEN FOOD BUSINESS

RETAIL & MANUFACTURING

£1m plus turnover and consistent record of sales and profit growth. Genuine reasons for sale.

Write Box G8030, Financial Times 10 Cannon Street, EC4P 4BY

BUILDING COMPANY FOR SALE

TAX LOSSES AVAILABLE

Write Box G.7988 Financial Times 10 Cannon Street, EC4P 4BY

OLD ESTABLISHED

COMMERCIAL VEHICLE GARAGE AND HEAVY RECOVERY BUSINESS FOR SALE

7 bay workshop 6,300 sq ft, 8 years old, situated East Midlands on 2 acre site between A1 and M1 on major trunk road. Would also be suitable as haulage or coach concern. Offers around £250,000 plus SAV for property plant and goodwill.

For further details write Box G8007, Financial Times 10 Cannon Street, EC4P 4BY

JEWELLERY DISTRIBUTORS

WITH £450,000 TAX LOSSES FOR SALE

No assets or liabilities other than tax losses

Write Box G7998, Financial Times 10 Cannon Street, EC4P 4BY

ABINGDON-on-THAMES

DETACHED STONE VICARAGE

Self-Catering Units

Plus very profitable outside catering business

Details from:

ADKIN 10 High Street, Abingdon, Oxon Tel: (0235) 26000

COMPANY NOTICES

RAND MINES, LIMITED

(Incorporated in the Republic of South Africa)

A Member of the Barlow Rand Group

DIVIDEND DECLARATION:

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that dividend No. 73 of 90 cents per share has been declared in South African currency, as a final dividend in respect of the year ending 30th June, 1982, payable to members registered in the books of the company at the close of business on 25th June, 1982.

The register of members will be closed from 26th June to 4th July, 1982, inclusive, and dividend warrants will be posted on or about 29th July, 1982.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom Registrars and Transfer Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 26th June, 1982 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the company in Johannesburg or in the United Kingdom.

DURBAN ROODEPOORT DEEP, LIMITED
EAST RAND PROPRIETARY MINES, LIMITED

The boards of directors of these companies have decided not to declare dividends for the half-year to 30th June, 1982.

By Order of the Boards
V. M. MURTON
Administrative Manager and Secretary
Offices in the United Kingdom
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

Registered Office:
15th Floor,
63 Fox Street,
Johannesburg 2001.
(P.O. Box 62370, Marshalltown, 2107).

United Kingdom Registrars and Transfer Agents:
Charter Consolidated P.L.C.,
P.O. Box 102,
Charter House,
Park Street,
Ashford,
Kent TN24 8EQ.

7th June, 1982.

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED
GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE, LIMITED

(Both incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the directors of the abovementioned companies have declared dividends for the half-year ending 30th June, 1982, payable to shareholders registered in the books of the respective companies on 25th June, 1982. The dividends have been declared in the currency of the Republic of South Africa.

Warrants will be posted from the Kimberley and the United Kingdom offices of the transfer secretaries on or about 29th July, 1982. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 28th June, 1982 of the rand value of their dividends, (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the companies' transfer secretaries in Kimberley or in the United Kingdom on or before 25th June, 1982.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London Offices of the companies and also at the offices of the companies' transfer secretaries in Kimberley and the United Kingdom.

Company	South African Currency Per Share
Consolidated Company Bultfontein Mine, Limited	5 cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	22 cents

By order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Office of United Kingdom Transfer Secretaries:
Charter Consolidated P.L.C.,
P.O. Box 102
Charter House, Park Street
Ashford, Kent TN24 8EQ

8th June, 1982.

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)

PREFERENCE DIVIDEND No. 68

Dividend No. 68 of three per cent for the six months ending June 30, 1982, has been declared payable on August 16, 1982 to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on June 30, 1982, and to persons presenting coupon No. 69, detached from stock warrants to bearer. A notice regarding payment of the dividend on coupon No. 69 detached from stock warrants to bearer will be published in the Press by the London secretaries of the company on or about June 18 1982.

The preference stock transfer registers and registers of stockholders will be closed from July 1, 1982 to July 14, 1982, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about August 14, 1982. Registered preference stockholders paid from the United Kingdom will receive the United Kingdom currency equivalent on July 5, 1982 of the rand value of the dividend (less appropriate taxes). Any such preference stockholders may, however, elect to be paid in South African currency provided the request is received at the offices of the company's transfer secretaries on or before June 30, 1982.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 and Charter Consolidated P.L.C., Charter House, Park Street, Ashford, Kent TN24 8EQ.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: W. G. NICOL
Divisional Secretary

Head Office:
44 Main Street
Johannesburg
2001

London Offices:
40 Holborn Viaduct
London EC1P 1AJ

June 8, 1982.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NISSIN FOOD PRODUCTS CO. LTD.

The Ordinary General Meeting of shareholders of Nissin Food Products Co. Ltd. will be held on June 29, 1982.

AGENDA

1. Approval of Financial Statements and appropriation of retained earnings proposed by Board of Directors for the Fiscal Year ended March 31, 1982.
2. Partial amendment of the Articles of Incorporation.
3. Election of two Statutory Auditors.
4. Classified allocation of remuneration amounts between Directors and Statutory Auditors Groups.
5. Payment of Death Allowance to the late Mr. M. Togami who was a Statutory Auditor.
6. Payments of Retirement Allowance to retiring two Directors.

(Full text of Notice is available at Citibank, N.A., London)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than June 25, 1982, at the offices of the Depositary, Citibank, N.A., 336 Strand, London, WC2R 1HB or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg, together with instructions indicating the way the shares be voted.

CITIBANK, N.A., London, Depositary.

June 8, 1982

NOTICE OF PURCHASE
GEORGE WESTON LIMITED
U.S.$30,000,000 13½% NOTES DUE 1st JUNE 1987

Pursuant to the terms and conditions of the Notes, Noteholders are advised that Notes of Nominal U.S.$3,107,000 were purchased during the period 2nd June 1981 to 1st June 1982, inclusive and applied to the Purchase Fund.

As of 2nd June 1982, the principal amount of the Notes remaining in circulation was nominal U.S.$25,537,000.

GEORGE WESTON LIMITED
Purchase Agent: Hambros Bank Limited
Date: —— June, 1982

LEUMI INTERNATIONAL INVESTMENTS N.V.
U.S.$60 MILLION GUARANTEED FLOATING RATE NOTES 1989 EXTENDIBLE AT THE HOLDER'S OPTION TO 1992

The interest rate applicable to the above Notes in respect of the six month period commencing Monday 7th June 1982 has been fixed at 15¼% per annum.

The interest amounting to U.S.$76.57 per U.S.$1,000 principal amount of the Notes will be paid on Tuesday 7th December 1982 against presentation of coupon No. 1.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

COMPAGNIE FRANCAISE DES PETROLES

Head Office:
5 rue Michel-Ange, 75016 Paris
R.C.S. PARIS B 542 051 180

S.A. CAPITAL STOCK OF 1 364 389 800 F

NOTICE OF SHAREHOLDERS' MEETING

NOTICE IS HEREBY GIVEN to the shareholders that they are convened to an Ordinary General Meeting to be held on Thursday, June 24th, 1982, at 10.30 a.m. at the Salle Gaveau, 45 rue La Boétie, 75008 Paris, to discuss the following agenda:

1) Report of the Board of Directors and reports of the Auditors for the year 1981. Auditors' Report.
2) Approval of the said reports, accounts and balance sheets.
3) Allocation of profits and determination of dividend.
4) Renewal of authorisation given to the Board to issue bonds.
5) Approval of transactions provided for by Article 101 of the Law of July 24, 1966.
6) Setting of a redemption price for shares.
7) Appointment of Directors.

It is not yet possible to publish the list of resolutions proposed for the appointment of Directors or an account of statutory approval formalities.

All shareholders who own one or more shares are entitled to attend this meeting or be represented thereat by a proxy who must be a shareholder or their spouse.

However, in order to be able to attend this meeting or be represented thereat, the shareholders who own registered shares must be listed on the company registers five full calendar days before the meeting. The shareholders who own bearer shares must, within the same timespan, deposit their share certificates or a certificate issued by the bank, the financial establishment or broker with whom the said shares are deposited, in one of the following establishments: Banque de Paris et des Pays-Bas, Crédit Lyonnais, Banque Nationale de Paris, Société Générale, Crédit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris.

The Annual Report may be consulted at the London Offices of Banque Paribas, 33 Wigmore Street, London, W1H 0BN, or Crédit Lyonnais, 84/94 Queen Victoria Street, London EC4N 4LB.

BOARD OF DIRECTORS

U.S.$50,000,000 Hydro Quebec 9½% Debentures due 1.7.1978/93

Debentures covering US$2,500,000 have been purchased on the market to satisfy the Purchase Fund due 1st July 1982.

BOND DRAWINGS

CORRECTED NOTICE

NOTICE OF REDEMPTION

Floating Rate Notes Due 1985

PRIVREDNA BANKA ZAGREB

Third Redemption Due July 12, 1982

The following numbers of the notes to be redeemed in the notice published in the Financial Times, London, on June 1, 1982 were incorrectly published:

20765: The correct number is 20785
15979: The correct number is 20999

For PRIVREDNA BANKA ZAGREB
by BANK OF AMERICA INT'L S.A.
LUXEMBOURG
(Fiscal and Principal Paying Agent)

PUBLIC NOTICES

HERTFORDSHIRE C.C. BILLS. £5m issued 7th June 1982 to 6th September 1982 at 12¼%. Applications totalled £42m. £5m bills are outstanding.

DUDLEY METROPOLITAN BOROUGH. £3.25m bills issued 3rd June 1982 at 12¼%. Applications were £29.75m. £3.5m outstanding.

THE ARTS

London Galleries

William Packer

An Israeli painter and a Wild West show

There are certain things we have come to expect to find in the work of the contemporary artist of whatever kind; but quite how reasonable it may be to hold those expectations we seldom pause to ask. Is a thoughtless expectation after all only a prejudice, or a reasonable prejudice perhaps a respectable critical hope?

We may take, for example, the related issues of Development and Consistency. Why should it be that while the art historian, in seeking to confirm a doubtful attribution to some artist of the past, will look for points of consistency in such things as style, technique, composition and iconography, even across the entire span of his artist's lifetime, we are inclined to hold just this quality against the artist working now? The ideas are static, we say, the technique too safe, mannered and predictable, no chances taken—there has been, in short, no development, no progress: and so it is we cast our doubts upon his modernist credentials.

Is it so simple? Well, no. There are things to be said for both sides; and the latest exhibition of paintings and drawings by the Israeli artist, Avigdor Arikha (at Marlborough throughout June) seems to say them rather well. If the Consistency can be left to assert itself, as ultimately it will, why not trust the Development to do the same, and simply take the work as it is?

Arikha is clearly a good painter, in command of his medium, confident and effective in his imagery. His preoccupations are with the figure, the portrait and occasionally the nude, and with the landscape, and the still-life, composed modestly enough from the mundane impedimenta of studio life: tubes, bottles, pots, fruit and veg.

The paintings themselves are honest enough and unpretentious, and clever, sometimes very clever. But they are also manifestly consistent, and where one is admirable, two are fine, three are beginning to get a little dull, and over them all a pall of complacency just begins to bear down.

If it is a Heresy of Modernism that overt development should be made clear, so it is a false reading of the broader Western Tradition, into which Modernism of course falls, that consistency is everything.

We see Arikha doing again and again what he knows, and we know he can do very well, and we watch him as we watch the gentleman with the three card trick, with surprise and a certain detached pleasure, but only at first. A more ambitious conjuror — and painting is always, among other things, terrific sleight of hand—would dare to lose a trick or two.

And now for the Wild West Show, and if not exactly the elephant and the kangaroo, at least all the cowboys and Indians you could possibly wish for, and buffalo, bucking broncos and the U.S. Cavalry besides.

The exhibition "Painters of the American West" (at the Mall Galleries until July 3) is a cult of The West, and whose effect upon popular imagery is likely to be felt for at least as long as films are made in Hollywood, it also makes very clear that the influence of the West, whether through a direct experience of its landscape and its people, or at a remove as a generalised romantic inspiration, is perhaps stronger than we had realised before. It must certainly be taken into account in any serious reading of American art in this century.

On the one hand we have those cowboy painters—and it is fascinating to see by direct comparison how relatively undistinguished Frederick Remington is amongst his peers, artists like Maurer, Russell, Schreyvogel and Koerner: on the other we come almost up to date with an abstract expressionist work by Helen Frankenthaler (Western really only by virtue of its local title), and latest of all, a Hockneyesque (that is the Hockney of 20 years ago) Indian wrapped in the Stars and Stripes, by Fritz Scholder.

The effective climax to the show, however, comes a little earlier, just after the landscapes of John Marin, Marsden Hartley and Stuart Davis, and the exuberant festival rodeo of Fletcher Martin, with two of the smallest works of them all, two landscapes from the 30s by Georgia O'Keeffe, and most especially her gentle yellow ochre church at Hernandez in New Mexico, with the low hills behind dotted sparsely with green.

And in between are many treats: the modest objectivity of Henry Farney, Frank Johnson wonderfully schizoid with his Trading Post at Night one of the most discreet and sympathetic pictures in the show, and his Raiders of the Dawn, an image of pure cinematic kitsch: shades of Glasgow and Henry and Hornel, perhaps, in the work of Nicolai Fechin and Robert Henri.

> 'All the cowboys and Indians you could possibly wish for, buffalo, bucking broncos and the U.S. Cavalry besides'

...selection of work from the Anschutz Collection of Colorado, which is just so specialised, and in recent years has been sending such shows around the world, all the way indeed from The National Cowboy Hall of Fame in Oklahoma City to the Shanghai Museum of Art (this particular visit is sponsored by Mobil in support of the World Wildlife Fund.

It is a very mixed bag indeed, with so strong a theme to over-ride all other considerations, but is nonetheless enjoyable and intriguing for all that. There are some wonderfully bad pictures in it, and many curiosities, but also many surprises and a great deal of real interest and even importance.

Certainly it is more serious a show than prejudice might allow: and while it is more than generous to the genre illustrators who first stoked up the...

Finally, a sad and reluctant duty, for it is still hard to accept the fact that occasions it: Birgit Skiold, a painter, a print-maker of distinction and finesse, and latterly a photographer of increasing stature, died suddenly in hospital a week ago. Too many of her friends did not know how ill she was, let alone in hospital, and still shocked themselves, their hearts go out to Peter Bird, her husband.

The art world has suffered an irreplaceable loss: Birgit came to this country from Sweden 30 years ago and made it her home, and ever since, modestly and idiosyncratically, she set about fostering the crafts of print-making, her first love, and helping as many people as possible to develop them, and through those processes, themselves.

For 20 years now her Print Workshop in a basement in Charlotte Street has been the focus of her activities, and as such a natural meeting and working place for artists of all kinds from all over the world. Her internationalism was as deeply felt as it was effective and she will be mourned across the world, most especially in Japan, where she had done so much in recent years.

Artists die, their work remains after them, and hers too will last. I intend no reflection at all upon it in saying that in her particular case, her truest memorial, if only it can continue somehow in the spirit in which she ran it, would be her beloved workshop. In the years I knew her, she helped me, like so many others, more than I can say, or even know.

Avigdor Arikha—self portrait

The Kirov Ballet/Paris

Clement Crisp

A dignity of expression to delight the eye

The Kirov Ballet is coming to the end of a long Paris season which has for me, as it must for many ballet-goers, re-affirmed the supremacy of the troupe as exponents of the 19th century classic repertory. Looking at the Kirov even on a bad night—and none more taxing of one's admiration than when Oleg Vinogradov's Le Revizor banged about the stage—one senses the sustenance the Leningrad dancers draw from their impeccable training. There is no step but has an integrity, a dignity of expression to delight the eye. This season has been a tiring one, and some of the freshness I noted at the opening performances has gone, yet the excellence of the corps de ballet is never in doubt, nor does the commitment of the artists to their task ever falter.

To get the worst over first: Le Revizor is Vinogradov's view of Gogol's The Government Inspector. By taking the outlines of the plot, but finding little to replace the satiric edge of the play's text, Vinogradov has produced a hectic and simplistic piece whose hysteria seems relentless, but whose inventiveness rarely extends beyond the obvious political slant of "peasants good; civil service bad." Coreography amounts to frenetic gesture, racing, leaping, crawling by the self-seeking functionaries, so wildly caricatured that any probability in the drama is lost. There are bright production ideas—the transformation of degraded peasantry into picture-book country folk is amusing, with girls instantly turned into Petrushka purse-maids by means of a continuous panel of frocks which they hold in front of themselves—but the sum effect is of febrile activity which does not disguise the absence of Gogol's genius.

There is an odious, clattering and synthetic score by Alexander Chaikovsky; the tiresome conceit of dancers impersonating letters (shades of the Pen in Lieutenant Kizhe); and the appearance of Pushkin (I assume this is the gentleman who plays a trumpet at the ballet's end) and of Gogol, who stares at us at curtain-fall as a battery of lights blaze into the auditorium and the government officials—and we, too?—lose social masks and pretentions.

But there remains the company's performances, which are of superb intensity, and especially that of Vadim Gulyayev as the imposter Khlestakov. He gives a stunning interpretation, the embodiment of opportunist charm, of physical and emotional dash. To see him, in a dream sequence, involved in mock-romantic dalliance with the daughter of the town governor, and then watch him flirting with her and her mother (a sparkling impersonation by Ninella Kurgapkina); to see him intoxicated with his power over crawling officialdom and forcing the governor to kneel, with a gesture of regal, tipsy delight, is to witness rare theatrical art. Elegant, brilliant, witty in step and economy of means, with Sir Alec Guinness's polish as a farceur and Leonid Massine's clarity of movement, Gulyayev is Gogol's hero to the life.

The Kirov is also presenting a double bill of Fokine's Chopiniana (Les Sylphides) and Bournonville's La Sylphide as a confrontation of romanticism at first and second hand. Alone among ballet companies the Kirov dances Les Sylphides by divine right. The text they offer under Fokine's original title is different in several instances from the one we are used to. At moments it looks as if the choreography has slipped off register from the music; some groupings owe more to Vaganova (who gave the staging its final form) than to the Fokine of 1908; I have seen better casting of principal roles and less blatant lighting in the company's London seasons, but nothing can detract from the sensitivity, the all-pervading lightness and freedom of the style, the way in which the dance is impelled in sweeps of movement, blossoming on the night air; and in Yelena Yevteyeva the first ballerina role has an eloquent, freely-soaring exponent.

The La Sylphide is very curious. It is, I would venture, the staging made by Elsa-Marianne von Rosen for the Leningrad Maly Ballet, here aggrandised with some loss of dramatic point and more serious loss of stylistic nicety. The first act looked like Far from Scotland, the second act like Far from Bournonville for, even if it matters not at all that the crofters are barmily outfitted after the style of French theatrical prints of the 1830s by Engelmann, it matters a great deal when Bournonvillian harmony of proportion is distorted by a dance manner as grand and big as that of the Kirov—the sylphs in Act 2 bursting the confines of Bournonville's gentler leg-action with huge extensions.

Madge (called Medze in the programme, misprint indicating her altered image as a green-faced Kabuki demon) has lost the scene in which she prompts Gurn into proposing to Effie, as played by Tatiana Goumba would be happier tossing a caber than playing the gentle, hapless fiancée. The most intriguing aspect of this Sylphide was the way in which the company played the opening scenes with a full-blooded passion which, very unlike the Royal Danes' naturalistic authority in mime, suggested the melodramatic style of the boulevard theatre in the 1830s, bold and compelling.

It was this directness which gave interest to Sergey Bereshnoy's James; it also accounted for something of the grandeur of Irina Kolpakova's sylphide. At the present stage of her career a certain scaling down of effects in her pure Vaganova training (she is the last pupil of that great teacher still performing) suits the Bournonville style, while in every other respect Kolpakova's art seems richer and more expressive. There is a fullness of tone—both emotional and physical—and a generosity of impulse to this sylphide which tells us that her obsession for James has nothing spectral about it: she loves and suffers intensely, though always within the confines of the choreographic manner. The lilt and grace of her dancing, the sweetness of her playing, are a joy; and her lightness, purity of means, is exquisite.

No reservations possible about the Kirov's Giselle production, about which I reported enthusiastically three years ago. If the first act setting now looks shabby and the lighting throughout is less than excellent, this is nevertheless an ideal view of the tragedy. Everything is clear. Every point in the drama, the motivation of each character, is thoughtful, effective.

A few telling gestures show us Wilfred urging Albrecht not to indulge in a village flirtation; find Berthe warning Giselle about her weak heart; reveal Albrecht indecisive as the hunting horns sound and he realises he cannot stay in the village in his peasant disguise; tell that Hilarion cannot bring himself at first to break into Albrecht's cottage until the memory of his love for Giselle drives him on. It is the accumulated mass of such detail, contained within the broad phrase of the action and all part of the fabric of the production's style-atmosphere, which makes this so superior a presentation.

The darkly haunted second act, filled with the shimmer and power of the Kirov wili band, is a marvel, and a notable contribution to the potency of the staging comes from the Kirov orchestra (amplified though it is) under Yevgeny Kolobov, who conducts Adam as he conducts Chaikovsky, with a loving comprehension of the score's capability to inspire the drama.

Giselle was Olga Likhovskaya, well mannered, sensitive, and at her best in the mad-scene, to which she brought a desolate pathos. Her dancing had a fine stretch to it, but lacked that luminosity of feeling which earlier Kirov Giselles have shown. Her Albrecht, Yevgeny Neff, was a decent figure, but something too discreet for a romantic hero.

A Giselle for the future must certainly be the Kirov's latest, and still secret, hope, Altinai Assilmuratova. Twenty years old, outstandingly beautiful, Assilmuratova was seen in the single Swan Lake in Paris, and also in a divertissement solo; her appearance arousing extreme interest.

Even as a corps de ballet sylphide her beauty—ravishing line, long limbs, an oval face with huge dark eyes, sublime placing of head and neck—as well as the mysterious inner grace of her dancing was clear.

Irina Kolpakova

> 'The lilt and grace of her dancing, the sweetness of her playing, are a joy'

Illinois Jacquet/The Canteen

Kevin Henriques

Tenor-saxophonist Illinois Jacquet, a not unfamiliar visitor to London, has a happy, reliable knack of picking compatible accompanists who share his own sunny, broad-based extrovert view of jazz. The three musicians with him for his engagement at The Canteen, in London, WC2 (until June 19), are all felicitous choices who would be hard to improve on, headed as they are by the genial, slyly-smiling veteran bassist Slam Stewart.

Though he tends to overdo his renowned speciality of simultaneous humming and bowing in unison which reaches a truly high point every night in an extended feature, "Play Fiddle Play," Stewart's all-round command of the bass is one of the quartet's biggest strengths.

No less pivotal is the widely-experienced drummer, George "Dude" Brown from Washington, relatively unknown here but who has played with such sax virtuosi as Gene Ammons and Sonny Stitt. Brown's time-keeping is an object-lesson, his work on skins and cymbals forceful where needed but never obtrusive.

Pianist Richard Wyands, who completes the rhythm section, is likewise much experienced. He is an eclectic player whose solo version on Saturday of "Laura," taken faster than usual, was a tenderly shaped piece of craftsmanship.

Jacquet himself, on Saturday wearing a distinctive pink jacket, again reveals himself as a warm, heavily blues-rooted tenorist especially in medium tempo selections such as "Robbins' Nest" and "What am I Here For?" The excursions on faster themes, eg, "Jumpin' at the Woodside" and "Flying Home," are controlled and exciting and he never resorts to the crowd-pleasing, freaky high notes with which he made his name when with the Lionel Hampton band and later with Jazz at the Philharmonic.

Coffee Concert/Wigmore Hall

Dominic Gill

After the success of their short experimental list of Sunday morning "coffee concerts" last summer, the Wigmore Hall has this year launched a full-scale series of 12 recitals on Sunday mornings between June and September. Audiences appear to agree that after a Sunday morning, after a walk in the park, is a fine time to relax for an hour and listen to live chamber music; and that £2, with a cup of coffee (or glass of sherry) included, is an exceptionally reasonable price to pay for the privilege.

The first recital of the new summer season, given yesterday by the Gabrieli Quartet with the American clarinettist Richard Stoltzman, played to a packed house. Some tickets for the rest of the series are still available: but hurry—even for recitals as far ahead as September. They are selling fast.

The climax of the Gabrieli's programme, which was introduced by an amiable performance of Dvorak's F major "American" quartet op. 96, was a fine account with Richard Stoltzman of Mozart's clarinet quintet. The mood of the playing matched the air of the summer morning: very warm, but not oppressive, slightly dreamy, with the hint (quickly vanishing) of a distant storm. The smoothness of Stoltzman's tone and phrasing was a special delight: a clear, radiant sonority without a trace of nasal whine, full of glinting lights and subtle colours—in pianissimo gently insinuating, its fortissimo round and luminous. There was no sharp edge or faltering in the ensemble either; but a quiet and thoughtful energy: the delicate contrapuntal threads of the minuet and its pair of trios were beautifully dovetailed; there was a spring to the step of the finale, but carefree, without urgency.

Arts news in brief

Barry Humphries (also known as Dame Edna Everage), a keen book collector, will open the 24th Antiquarian Book Fair at the Europa Hotel, Grosvenor Square, London W1 this morning at 11 am.

Mr Humphries's many bibliophilic interests include literary curiosities, late 19th century 'decadent' poetry, Gothic novels and Edwardian ghost stories.

A feature of the fair will be a rare Victorian proofing press which visitors will be able to watch in action and take away a sample of the printing.

The three-day fair — June 8-10 — offers for sale some 30,000 items on every imaginable subject, from religion to railways, bridge-building to bee-keeping, and is a major attraction for thousands of book lovers of all ages and tastes. It is open daily from 11 a.m. to 8 p.m. No admission charge. (Illustrated catalogue £1).

The Poetry Book Society's Summer 1982 Choice is The Passage of Joy by Thom Gunn and the two Summer Recommendations are: Night Cries by John Cassidy and The Memory of War: Poems 1968-82 by James Fenton.

Each year the Poetry Book Society selects four outstanding new books of poetry as its seasonal choices and the recommendations are those which are also considered to be of particular interest to society members.

*

Kent Opera plans three new productions and three revivals in its 1982-83 season. The first new production is The Beggars' Opera, in the Britten version, which opens at the Aldeburgh Festival on June 11 and 12. Fidelio, produced by Jonathan Miller, starts the autumn season at Tunbridge Wells on October 28, with Teresa Cahill as Leonora; and the other new production is Don Giovanni, a first Kent Opera sponsorship by Barclays Bank, which is planned for the spring.

*

This Sceptred Isle, a photographic exhibition on Maritime England, will be at The Royal Photographic Society's National Centre of Photography from June 11 until September 9.

This exhibition will show some of the facets of maritime England as it is today, as it was 140 years ago, and as it has been in between. Inevitably, ships and shipping make up a large part, but an effort has been made to show something of the people who live by, on or through the sea. The earliest picture is from a photograph taken in 1845.

F.T. CROSSWORD PUZZLE No. 4,891

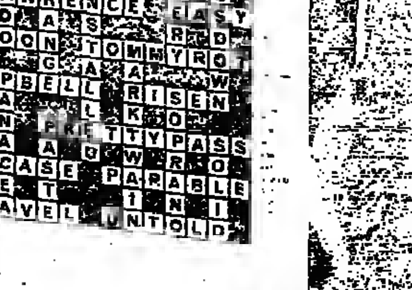
ACROSS

1 Part of Yorkshire terrier (8)
5 Flower sheath from track in the south-east (6)
10 Regretting having put mat outside at home (5)
11 Assign a characteristic quality (9)
12 Wherefrom one may view one's neighbours could be indicative in child's dog (3-6)
13 Address the Spanish in Russian workers' guild (5)
14 One who eats away and so on with her (6)
15 Utter rapidly "Dance cancelled" (4, 3)
18 Make ready to secure and crumple (5, 2)
20 Illegal broadcaster from a Corsair? (6)
22 Article removed from earth-nut leaves one (5)
24 Cutting ditch by worker (9)
25 Use a tool (9)
26 I'd sit awkwardly for international linguist (5)
27 Join up in French border (6)
28 Ray in a headline? (8)

DOWN

1 Foreign weight or a bar converted (6)
2 Gunners in tears? It's a natural downfall (4-5)
3 It would be unusual if 1 Across was as happy as this (3, 4, 3, 5)
4 Channel swimmer—from English club (7)
6 Confidential custom in which many doctors are involved (7, 8)
7 Audibly bound to believe (5)
8 Order to soldiers observers abandoned (4, 4)
9 Stevedore and Pole on tug (6)
16 East German theory of superiority could mean banishment (9)
17 Get away without notice in a frolic (8)
19 Plate on top of table—that's obvious (6)
20 Excuse in front of book (7)
21 Country right to provide old Greek coin . . . (6)
23 . . . or country panel reformed (5)

Solution to Puzzle No. 4,890



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Tuesday June 8 1982

The banking free-for-all

THERE ARE now fairly clear indications that the bank lending figures for May—the clearing bank figures will he announced today—will show some slackening in the recent breakneck pace of expansion, if only because the public sector has returned to financial deficit. The authorities, who have at last been beginning to show some signs of worry about endless credit growth, may well feel tempted to heave a sigh of relief, and shelve the issue. This would be a bad mistake. It would simply confirm the belief of the growing army of sceptics in the financial markets that the authorities control the banking system only in the Latin sense in which the weather forecasters "control" the weather—that is, they keep a helpless eye on it. This feeling undermines confidence and holds up interest rates.

Expansion

The basic facts are clear enough. Under the English (though not Scottish) system, in which current account holders are rewarded with free banking services rather than interest payments, bank profits expand disproportionately when a monetary squeeze leads to unusually high interest rates. This accelerates the growth of bank capital, and the banks subsequently strive to put this capital to work. Hence every credit squeeze tends to be followed by a period of aggressive expansion. Much of this has occurred in overseas markets; sterling business is now less than a third of the total liabilities and assets of reporting banks. However, some of the growth also takes place in domestic lending—the numbers which have recently caused such worry.

Ceiling

Since the reforms of 1971, the Bank of England has striven for the most part to rely entirely on interest rates to control credit growth and monetary expansion, with very mixed results. At the best of times the medicine is slow-working. At other times, politicians put an effective ceiling on interest rates, and other devices are invented to control the aggregates without raising rates or unduly squeezing the banks. The "corset" was one such device: when it was abolished, it proved that it had only concealed a vast underlying growth, which quickly inflated the money supply.

The present manoeuvre consists of over-funding by the Government, matched by Bank of England buying of commercial bills. This does control the monetary statistics—lending is financed by government bonds rather than bank deposits. But as fast as the authorities buy existing domestic bank assets, the banks look for new ways to expand.

This odd form of control—it looks to the banks more like a cheap source of funds — does not impress the markets, which observe that bank lending is growing at two or three times the permitted rate of monetary expansion. It also raises underlying prudential questions. The banks have sold their promptest assets—government paper and first class bills—in pursuit of this charade, and substituted increasingly long-dated and sometimes increasingly risky domestic and foreign loans. This is not what most monetary authorities would recognise as discipline.

Furthermore, this expansion may also be undermining monetary control itself. As the banks have invaded new markets, other intermediaries—the Post Office Giro, the Trustee banks and above all the building societies have responded by offering increasingly bank-like services. The growing liquidity of these deposits, sometimes nominally of long term, is not fully reflected in any statistics.

Resolute

Ministers have been reluctant to face these problems for a host of reasons. It is more comfortable to ignore problems which so far only worry the technically-minded. Questions of prudential supervision are in any case particularly difficult to tackle; the Bank of England is defensive in face of its established informal methods, while in the case of some of the non-banks it is not clear who is responsible for what.

It is time to be more resolute. The Chancellor's wish to tax the banks effectively is bound to bring some prudential issues into the open—and the Bank's argument, occasionally voiced in public, that profits must be protected for prudential reasons is patently absurd; excessive profits may encourage rash expansion and the consequent risks do not justify excessive profits.

The Chancellor should therefore persist with his search for more effective and more equitable ways of taxing the banks, and insist that any prudential problems should be solved through tighter discipline. We need new rules to check excessive maturity transformation, perhaps by reserve requirements which will impel the banks to bid for genuinely long term money. Above all the Chancellor should remember that monetary control without banking discipline sooner or later proves a sham.

Dangers of the steel cartel

THE LEADERS of the chief Western industrial powers have just issued at Versailles a statement of their intention to resist protectionism and other measures distorting trade. At their meeting in Luxembourg today, ministers responsible for industry in the countries of the European Community have the opportunity to do something about it. On their agenda is the prolongation of the system of production quotas applied to the European steel industries.

In essence the system has set production quotas for the important bulk products of the European steel industry. It has been shored up by a not very effective network of voluntary self-restraint agreements with a number of overseas suppliers and by a welcome agreement among the main producers to cease granting underhand rebates.

Estimates

The success of these measures can be gauged by an increase of about 25 per cent of steel prices in Europe within a year. The steel industry has been granted a breathing space within which to restructure. But, by and large, that is where the success story ends.

The original intention was that the breathing space should be used to get rid of excess steel making capacities in Europe. Their existence is not in dispute, though one may argue about their extent. Current guesses are in the range of 30m-50m tonnes per annum, compared with present installed capacity of about 200m tonnes.

But recent estimates from the European Commission suggest that by 1985 capacity in the Community may be marginally above 200m tonnes. Severe cuts subsequently proposed in Belgium will only slightly correct that estimate downwards. There is nothing to suggest that cuts of the size deemed necessary are on the way.

Thus 1985 may prove a fateful year for European steel masters. It is then that under an agreement between the member governments of the European Community steel subsidies are supposed to run out. If, in 1985, the steel industry is still burdened with excess capacities it may be plunged into a crisis far deeper than that of the early 1980s.

Future

Of course doubts always surround medium term forecasts. There can be no certainty that in 1985 the market for European steel will not be larger than at present thought. But it need not be a disaster if the Community were to become more dependent upon imports than it would be without the cuts. The future of European industry should lie with high added value products, not basic commodity products such as steel.

The Ministers in Luxembourg cannot do much to accelerate that process. But they can avoid measures calculated needlessly to stall it. The system of production quotas should not be unduly extended: one year will do, rather than the 18 months originally proposed by the Commission. The possible inclusion of new products should be examined with the greatest of scepticism.

Contrary

The EEC's steel régime illustrates the sectoral approach to world trade which is contrary to the spirit and letter of Gatt. Its only justification is that it avoided something worse — an outbreak of national protectionism and competitive subsidies within the EEC. The danger is that the régime becomes permanent, that controls lead to more controls and that the final result is a cartelisation of trade in steel which can only damage the world economy. If the commitments made at Versailles mean anything, the EEC ministers should be seeking ways of limiting the duration of the agreement and of ensuring that the rules on subsidies are strictly enforced.

THE INVASION OF LEBANON

Israel strikes at the PLO

By Roger Matthews, Middle East Editor

NO ONE can claim that Israel's move into Lebanon — now rapidly becoming a full-scale invasion —was not very clearly signalled in advance.

The Israeli build-up on the border had been well charted and their increasingly strident accusations of ceasefire violations well publicised. Israel claims at least 150 violations since a ceasefire was negotiated following the outbreak of cross-border fighting nearly a year ago.

Israel's forces were all ready to roll across the border when last Thursday night Mr Shlomo Argov, the ambassador to London, was brutally cut down by Arab gunmen whose allegiance has still not been established.

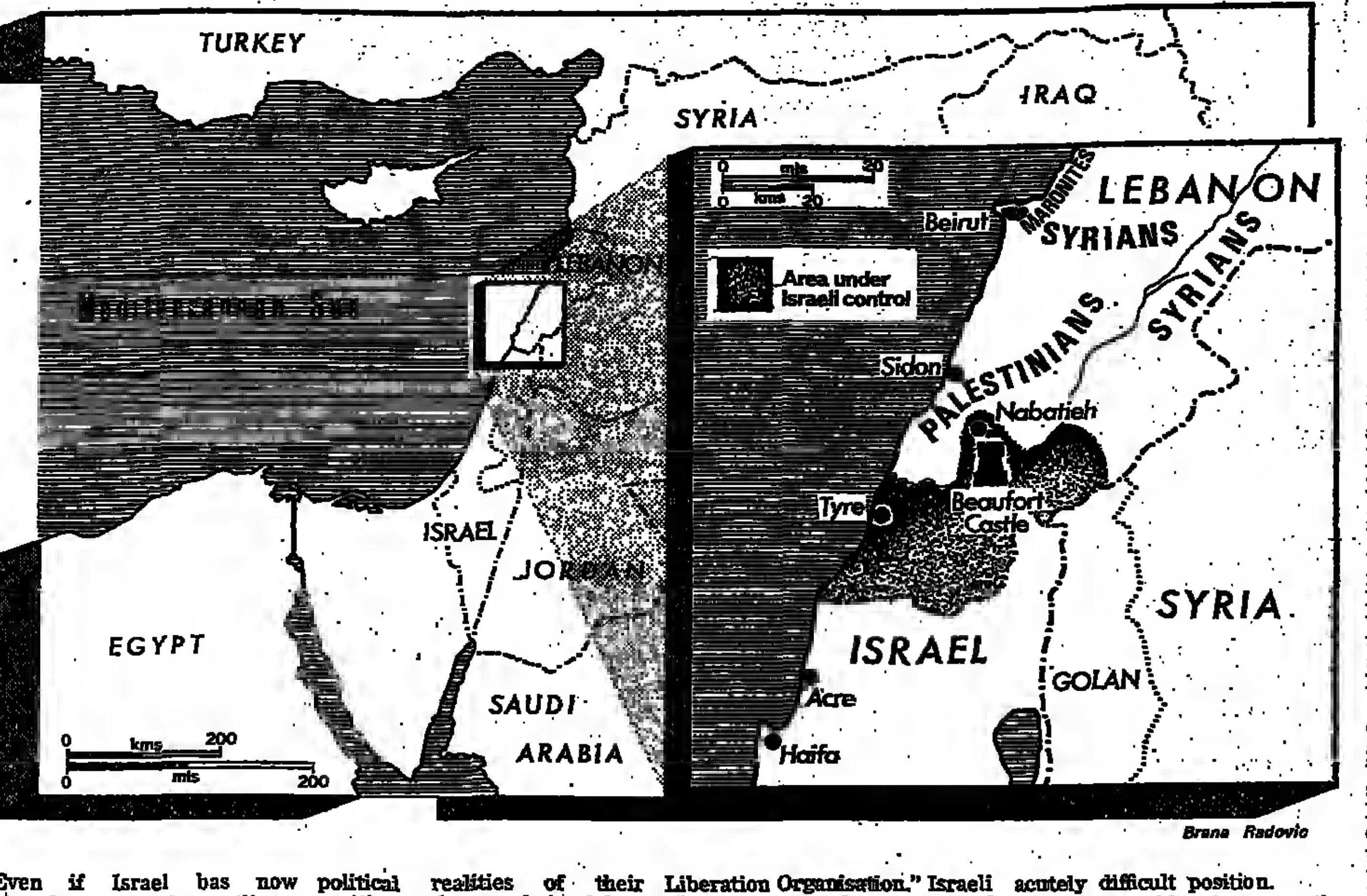
Israel did not wait for clarification. A two-day softening up of Palestinian positions through heavy air attacks and artillery barrages brought the predictable response from the Palestinians and PLO shells and rockets began to land in northern Israel.

But the fact that the Israeli military machine was in such a high state of preparedness has reinforced Arabs in their belief that Mr Begin may now be seeking to redraw the map of Lebanon.

A theme much stressed by Israeli officials in recent weeks has been that there is no longer a sovereign country called Lebanon. They would like to help Lebanon regain its sovereignty and sign a treaty with Israel. The *sine qua non* of this would be the ejection of the Palestinian guerrillas, who perhaps number 20,000 and the removal of the 30,000 Syrian troops who are the sole component of the Arab peacekeeping force which has been in Lebanon since 1976.

If this is Israel's aim this time—and so far there has been no official statement that it is—it will not be achieved without sustained and bloody fighting. The PLO forces have nowhere to run and, as Mr Yassir Arafat, its leader, has stated, will probably fight to the death.

If the Palestinians are merely squeezed northward towards Beirut, this will exacerbate the already horrendous problems around the capital where rival groups regularly battle for territory. It will also push the Palestinians and their allies closer to the Christian Maronite forces to the south of Beirut who are backed by Israel.



Brana Radovic

Even if Israel has now achieved its main military objectives the situation in Lebanon will have worsened. Mr Moshe Dayan, then Foreign Minister, wrote after the 1978 Israeli invasion. "True, great quantities of terrorist arms were captured; but it also meant destruction in their village bases and thousands of peaceful citizens, with whom we had to try and live as good neighbours, fled in fear of war."

"The picture of long straggling lines of families, with their old and young, leaving their homes and plodding northwards to find a place of refuge, scarred our good name."

That scene is being repeated today, although probably on a much larger scale and regardless of world-wide appeals for a ceasefire and withdrawal of Israeli forces. Mr Begin has, however, freed his people in northern Israel from the risk of any renewal of artillery attacks across the border and thereby fulfilled one election pledge made last year. He will also hope that the 1.1m Palestinians living in the West Bank and Gaza will understand better the political realities of their position and drop their violent opposition to occupation.

In any event, a second war has now been added to the frightening spread of instability in the Middle East. Israel's invasion is potentially every bit as dangerous as the 20-month old war betwen Iraq and Iran and rightly pre-occupied the world's seven leading industrialised nations meeting in Versailles on Sunday.

The immediate danger in Lebanon is that Syria, which is backed by the Soviet Union, will be drawn into the fighting. This would have totally unpredictable results and certainly raises the real prospect of a super power confrontation.

The immediate, declared aim of the Israelis is to push the Palestinian guerrillas 40 kilometres back from the border so that their guns and rockets can no longer hit the Calilee region. But the Arabs suspect there is rather more to the invasion than that.

Mr Menahem Begin, Israel's Prime Minister, has long declared his desire to cut off "the evil arm of the Palestine Liberation Organisation." Israeli officials have made no secret of their desire to drive the armed Palestinians out of Lebanon altogether. Where they go is of little concern to the Israelis—either to Jordan, which Israel says is almost a Palestinian state anyway, or to Syria where they would be better controlled by the regime.

A decision to attack the PLO head on is a direct challenge to the wider Arab world. All Arab states recognise it as the sole legitimate representative of the Palestinian people. And the majority of Palestinians living under Israeli occupation on the West Bank and Gaza are similarly thought to accept the PLO.

A just settlement of the Palestinian issue is central to the declared policy of most Arab governments so it is difficult for those regimes to maintain their own credibility if they do not respond to Israel's action.

This is true for Syria and it is important, if in a rather different way, for countries such as Saudi Arabia and Kuwait. And it places President Hosni Mubarak of Egypt in an acutely difficult position.

He was seeking to act as the bridge between the Arab countries and Israel in the search for a comprehensive Middle East peace. To this end there were already signs of growing contacts between Egypt and the moderate Arab states. At the same time, Mr Mubarak was ready to play a positive role in support of the U.S. renewed attempt to negotiate a form of autonomy for the Palestinians on the West Bank and Gaza as provided by the Camp David agreements.

The Israeli invasion would appear to have pre-empted the possibility of those talks being resumed in the near future.

The Egyptian leader thus has the option of confining his anger at the Israeli invasion to words of condemnation, or of taking some form of action which would immediately run the risk of being interpreted by Israel as an abrogation of the peace treaty.

The position for the U.S. is even more grim. Its standing among Arab countries will have slumped still further. Few if any Arab leaders will believe that Washington neither knew about the invasion plan nor could not have stopped the military action had it so wished.

It is particularly ironic that only last week Mr Alexander Haig, the Secretary of State, should have spelled out American Middle East policy with special emphasis on a solution for Lebanon and the occupied territories. He did so shortly after Mr Ariel Sharon, the hardline Israeli Defence Minister, visited Washington and the Pentagon revealed it had agreed to provide Israel with another 75 F-16 aircraft worth $2.5bn.

No less a mockery has been made of the role played by the United Nations troops in southern Lebanon. They took up position after the last Israeli invasion in March 1978 with the declared aim of creating a buffer zone along the border. The initial 6,000 men were denied taking up positions right on the border by the Israeli creation of a six-mile wide swathe of territory controlled by Major Saad Haddad, a renegade officer from the Lebanese Army.

The UN troops had some success in turning back attempts at infiltration by the PLO and their leftist allies but were swept aside on Sunday by the Israeli armoured columns which cut straight through their positions. The UN forces now find themselves absurdly behind Israeli lines.

The cost of these putative Israeli successes may only slowly emerge but nowhere will they be more gleefully seized upon than in Iran. Ayatollah Khomeini's victories in the war with Iraq have been presented as the first steps on the road to the liberation of Jerusalem.

At a time of widespread Arab humiliation and mounting dissatisfaction with existing regimes, the driving force of the Iranian revolution—Islamic fundamentalism and fierce anti-Americanism — is likely to appear all the more attractive.

It also, of course, provides fresh opportunities for the Soviet Union which no longer needs to search for Middle East clients. Amid the wreckage of Arab unity the balance of influence is swinging to the hardline bloc which has the closest relations with Moscow.

Mr Haig may well have cause to recall his words in Chicago last week on the Middle East. "No region is less forgiving of political passivity." It is exactly that of which the United States will stand accused in many Arab countries today.

HOW THE REGION LINES UP

ISRAEL: Fought four wars against its Arab neighbours. Superb military, well equipped. Headed by Menahem Begin. Deeply conscious of Second World War holocaust, devoted to retention of West Bank which Mr Begin calls by Biblical names of Judea and Samaria. Unbending hostility to PLO. Return of Sinai to Egypt described as final concession in search of peace. Willing to take whatever action, regardless of world opinion, in defence of own interpretation of its security needs.

LEBANON: Small, scenically beautiful, once the jewel of the Middle East. Held up as example of inter communal harmony, centre of regional banking. Riven by 1975-76 civil war between Christian forces and Moslem leftists backed by Palestinians. Syria intervened to save Christians from defeat; later turned against them. Now anarchical; president and government have little authority. Feuding between different Arab groups. Country divided into areas of influence: Christian, Syrian, PLO, Moslem, etc.

PLO: Recognised at Arab summit as sole legitimate representative of all Palestinians. Headed by Yassir Arafat. Comprises several different factions: by far the largest is Arafat's Fatah. Engaged during 1970s in spectacular terrorist and guerrilla operations. Officially pledged to destruction of Israel but would trade recognition for a state on the occupied West Bank and Gaza. Has been winning increased diplomatic acceptance. Would lose most independence if thrown out of Lebanon.

SYRIA: Headed by President Hafez al-Assad since 1970, putting end to chronic series of coups. Prides itself as being heart of Arab nationalism. Fought fiercely against Israel in 1973 war. Opposed Egypt's peace overtures to Israel. Fears events in Lebanon may spill over. Lost faith in U.S. and in 1980 signed treaty with Soviet Union. Faces serious internal challenge from Moslem fundametalists. Heads hardline bloc in Arab league. Supports Iran in war with Iraq.

JORDAN: Headed by the greatest survivor in the Arab world, King Hussein. Walks domestic and international tightrope. Lost West Bank and Jerusalem in 1967 war. Threw PLO guerrillas out in 1970 when they threatened his domestic control. Traditionally close to the U.S. Upset by Camp David accords. Has since distanced himself from Washington. May buy arms from Soviets. Backed Iraq in Gulf war. At loggerheads with Syria which is backing Iran. At least half population thinks itself Palestinian.

EGYPT: First Arab country to make peace with Israel. Biggest Arab population, natural political leader. Sadat expelled the Soviets in 1972, swung to U.S. after 1973 war with Israel. Now in receipt of over $2bn a year in U.S. military and economic aid. Sadat killed by Moslem extremists last October. President Mubarak pledged to stick by peace treaty. Regained last slice of Sinai from Israel at end of April. Wants to keep peace treaty but also get justice for Palestinians.

Men & Matters

A happy mien

Back briefly to those mysterious moves within the TUC to determine which General Council members get a ticket for the official visit to China later this year.

Readers will recall that last month's meeting decided that Alan Sapper, general secretary of the TV technicians' union, ACTT, and current TUC chairman, should head the delegation. Many of those voting, however, believed they were sending Frank Chapple, general secretary of the electricians' union and probable TUC chairman when the trip takes place.

Some anger was expressed about the confusion and vows were made to reverse the decision.

But a compromise of Confucian delicacy was reached at yesterday's meeting of the TUC's international committee. Both Sapper and Chapple will go—which should enliven things since they occupy widely separate positions within the Labour movement.

Harmony was not total, I regret. To make room for the present and future chairman, Clive Jenkins, ebullient leader of the white collar union ASTMS, was elbowed off the guest list.

He took the treatment philosophically. No, he told my reporter, he was not disappointed since he had recently been to the People's Republic on his own account.

Six little words

A coy little announcement yesterday confirmed what the American corporate world had been wanting to hear for nearly two years: Bill Agee, the dashing young chairman of Bendix, had finally married Mary Cunningham, his former vice-president of strategic planning. The two apparently tied the knot at a quiet ceremony in San Francisco at the weekend.

Only three months ago, Agee got the New York Times to publiesh an apology for an article suggesting that Cunningham's rapid rise at Bendix owed more to his favours than her business abilities. Cunningham quit Bendix 18 months ago because of the furore over her promotion, and she later got a job at Seagram, the Canadian drinks company whose corporate headquarters are in New York.

Agee's statement said in part: "There was no romantic involvement between Ms Cunningham and myself while she was employed at Bendix." The last six words were the operative part of the statement because as soon as she left Bendix, the two were frequently seen together at social functions and allowed themselves to be photographed holding hands. The first hint of marrisge came in April.

The new Mr and Mrs Agee (it is the second marriage for both of them) will clearly belong to the mobile generation. With Mary in New York and Bill running Bendix out in Detroit, week-end commuting will certainly give their love wings.

Sweet talking

Now we know what sweetened relations between Margaret Thatcher and Ronald Reagan after their tiff over the Falklands resolution at the UN. It was jelly beans.

The U.S. President offered the Prime Minister a few from his daily bag during the Summit conference—and she liked them.

To ensure that relations between the two do not become soured again, an American radio station is sending Mrs Thatcher five pounds of the sweets. Downing Street has specified the Prime Minister's favourite flavours and is said to be "real excited" about the idea.

Lucky number?

Echoing what seems to be the mood of our times, the bells of the City's Royal Exchange will ring out again today with a rendering of "Rule Britannia."

Lord Mayor Sir Christopher Leaver this morning restarts the carillon—last heard briefly on the Royal Wedding Day—in regular use. It has been renovated by Gillett and Johnston for Guardian Royal Exchange Assurance as a contribution to City life.

For 300 years, at least, the bells of the Royal Exchange have been playing tunes like the Bluebells of Scotland and the Londonderry Air for Londoners who, it is claimed, appreciated them rather more than the sound of Bow Bells or those of St Paul's.

The present carillon, which will be heard three times a day, has 13 bells and can play 16 tunes, including "There's nae luck aboot the hoose."

Royal Exchange inhabitants, and prospective residents like mmebers of Liffe, the financial futures exchange, would be advised to look around them when they hear that tune. It was the last one played before the previous Royal Exchange burned down in 1838.

Double florin

The new 20 pence coin that comes into circulation tomorrow should be a help to youngsters with their geometry homework being, so I am told, an "equilateral curve heptagon" in shape.

But it is to be hoped it proves to be of more general value than its predecessor of that denomination, the double florin or four shilling piece introduced in 1887.

It was intended to serve as the equivalent to a dollar. But it was so near in size to the crown or five shilling piece that it completely confused the public. The coin came to be known as the "Barmaid's Ruin" from the number of ladies of that calling who were dismissed for gross carelessness in dispensing too much change with the drink.

Whether for the protection of barmaids or not, the coin was discontinued in 1890—though some of the 1888 and 1889 issues in which the second "I" of the Queen's name appeared as an inverted "1" are still sought by collectors.

Observer

FINANCIAL TIMES SURVEY
Tuesday, June 8, 1982

Small Business Systems

IBM leads the world in small business systems, but it faces a major challenge in maintaining leadership in a market increasingly dominated by smaller, cheaper machines.

Battleground of the computer sector

BY ALAN CANE

THE SMALL business systems sector has become the natural battleground for the computer wars of the early 1980s.

There is already a plethora of manufacturers, machines and distributors in the lists and more are joining up weekly. Everybody is agreed that the next few years will see a severe bout of rationalisation with the weakest going to the wall.

Over-trading and cash flow-difficulties are expected to take their toll—in some cases, major small systems distributors and systems houses have vanished virtually overnight as credit lines tightened.

Battle is being joined on a number of different fronts simultaneously. In the computer business the traditional small systems suppliers are caught in a pincer movement between the mainframe computer manufacturers scurrying down market to maintain revenues, and the eager, aggressive microcomputer makers anxious to establish a beachhead on minicomputer territory.

At the technology level, the state of the art is 16-bit machines, computers which deal with binary digits (bits) 16 at a time. There is plenty of life left in the eight-bit market, however. These machines are slower than their 16-bit equivalents and less powerful, but special business programs (computer instructions) written to the 8-bit format are available in plenty.

On the horizon already are 32-bit microcomputers, machines based on a single silicon chip or a set of silicon chips which could rival the speed and power of a small mainframe.

For the customer, the battle is seen in less esoteric terms. He or she wants a reliable system that can be upgraded to a more powerful specification if the business expands or the technology changes.

He wants to be confident his supplier will not melt away, and be wants to know that if the system suffers faults, they will be put right quickly and at a reasonable price. He wonders whether it would not be simply cheaper and less harrowing to go to a computer bureau.

What *is* a small business system? It is a fair question, as definitions have become blurred in recent years with the increasing power and *falling cost of computer hardware.*

One definition is based on cost. A small business system will cost *at least* £1,600; all that sum would buy today is an Osborne 1 computer with some rudimentary software. That machine is made to a very competitive price, but to be realistic, customers should be thinking of spending between £5,000 and £50,000 to have a sensible system. (I have heard tales of perfectly sound senior executives in major businesses who thought they would be able to buy a system for, say, order processing for £500!)

It is less easy to make a distinction on hardware grounds. In earlier days there were mainframe computers whose power and size put them far out of the reach of the small business.

What these organisations could afford was a visible record computer (VRC), a simple computer which could carry out a restricted number of account*ing and other functions. Philips* is an example of a company which successfully installed thousands of VRCs.

The development of the minicomputer, smaller, cheaper but with a *substantial* proportion of the power of a mainframe put true computer power within the reach of most organisations. Companies like DEC, Data General and Wang dominated this phase of small business system development.

What changed the market irrevocably was the development of the business microcomputer ("desk top computer"), a machine which could be paid for out of the petty cash and which offered individual executives *personal* computer power.

It also brought the threat of data processing anarchy in many organisations as guidelines laid down by the data processing department were thrown aside by executives anxious to come to grips with their own computing.

Entrepreneurial, engineering-based companies such as Apple, Commodore and Tandy led this market sector. Now all the majors have their own "personal computer" offering.

IBM showed the way to 16-bit computing with its personal computer, launched last year. Now Digital Equipment, the largest manufacturer of minicomputers in the world, has followed suit and only last month Wang, the word processing giant, weighed in with its 16-bit offering.

According to the consultancy IDC Europa, the small business systems (sbs) market in Western Europe is growing at about 20 per cent a year. But traditional suppliers (minicomputer manufacturers) are taking a *diminishing* proportion of the revenue.

Suppliers

The *list of companies* supplying *traditional* sbs models includes the mainframers like IBM, Burroughs, NCR, Sperry Univac, and ICL. It includes minimanufacturers such as DEC, Data General, Philips, Kienzle, *Nixdorf, Olivetti,* Systime, Triumph-Adler and Wang.

In 1981, according to IDC, some 46,472 units were shipped to a value of US$1.75bn.

In 1987, it predicts that 122,977 units will be shipped to a value of US$ 5.23bn.

The UK market is expected to grow at the fastest rate of the four major Western European countries, according to IDC, despite the most competitive commercial sector. It says that sbs suppliers have been moving upmarket to avoid competition from the strong desktop vendors and low-end minicomputers sold through third parties.

It has meant changes in business strategy for the larger *manufacturers. Sales techniques* involving large numbers of highly trained salesmen and substantial support and maintenance operations are fine for systems worth US$1m or more. Selling hundreds of systems a month worth only US$10,000 or so is a different matter.

Minicomputer companies have traditionally done most of their business through OEMs (original equipment manufacturers) or systems houses, companies which may incorporate only the guts of the minicomputer in a system of their own design and carrying their label on the front panel.

In Britain, Systime is the leading example of a DEC OEM, incorporating the processor boards and operating systems used in DEC's PDP ranges in its *own computers.*

Minicomputer makers use business systems houses to distribute their products, software aod systems specialist which build complete applications on to standard hardware.

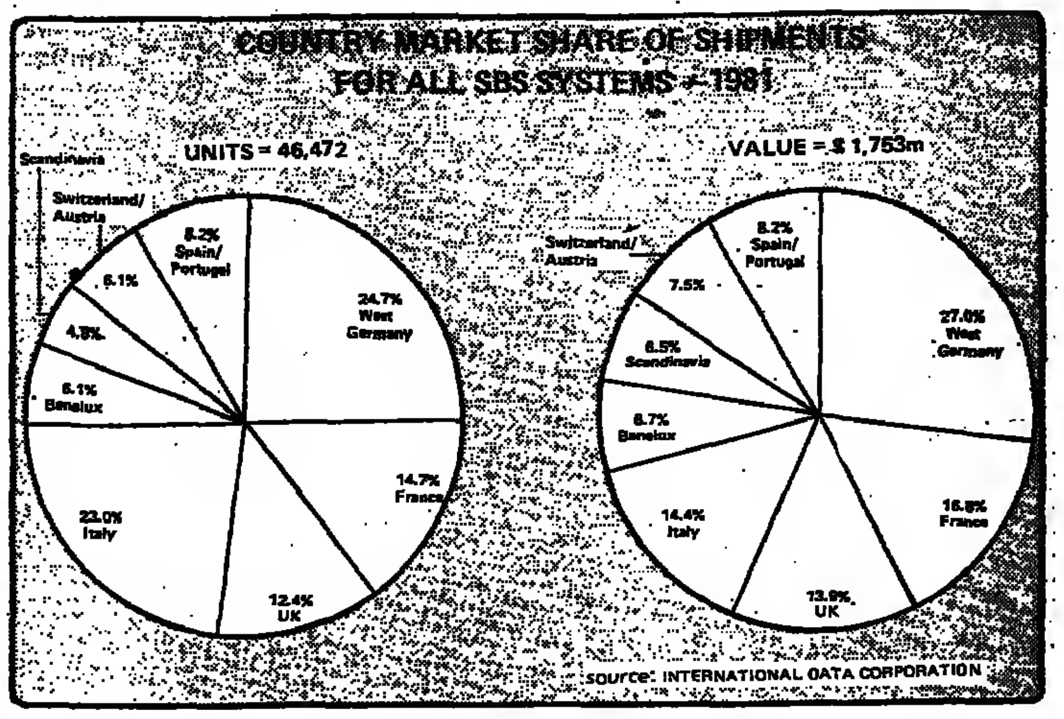
Mr Simon Pearce of IDC points out: "Due to the high level of competition in the standard product area, a number of such business systems houses found it necessary to become more specialised in order to achieve sufficient growth."

"It is the specialised business systems houses who seem to be achieving the highest growth."

This bears out an old principle of success in data processing; the best systems are designed and written by people with an intimate knowledge of the task they are supposed to fulfil. Business houses which specialise in specific areas enhance their own reputation for competence and improve their competitiveness.

Manufacturers gained the advantage of selling into specialised application areas—grain sales or farm feed control, for example, that would be difficult to penetrate by direct sales methods.

Estimates are that the proportion of total minicomputer revenues raised in Western Europe through business systems houses activities will increase from 13 per cent (US$ 277m) in 1981 to 19 per cent (US$ 976m) in 1986.



CONTENTS

Mainframe manufacturers have special problems in the sbs market.

IBM leads the world in sbs as it does in mainframes. At the end of 1981, its installed base in Western Europe was worth US$ 1,634m representing a quarter of the total. Olivetti was second with US$ 792m, and Nixdorf third with US$ 715m. But the average value of an IBM *installation was* US$ 72.3 compared with US$ 16.0 for Olivetti and US$ 54.8 for Nixdorf.

Problem

This illustrates graphically IBM's problems in maintaining market leadership in a market increasingly dominated by the smaller, cheaper machines.

It has introduced its desk top computer — *which* seems to be attracting good notices — and it has announced a new small compnter, the System 23 Datamaster which combines word processing with *data* processing.

It has also embarked on a series of marketing gambits that are quite foreign to its customary conservative nature.

It will sell its personal computer through dealership and its own High Street stores, it has taken space to display and sell its wares in banks and it *will agree to complementary* bidding for orders with business systems houses. It produces a catalogue of non-IBM sbs software and a catalogue of office products which can be ordered by telephone. In the U.S. it has "remarketing" agreements with business software houses for the System 23 Datamaster.

Mainframe manufacturers are also finding it more sensible to licence sbs technology from a bright new company than to develop their own.

Convergent Technology is one such company. Based in Silicon Valley in California, it makes a highly innovative and powerful sbs. The industrial design work was carried out by the UK-based Bill Moggeridge Associates.

It is available in Britain from Computer Technology, the exclusive distributor. It is also available from Burroughs as the Burroughs B20 sbs and from NCR in the U.S. as the NCR WorkSaver.

Third party sales arrangements, new distributorships, badge labelling and a spectrum of marketing techniques new to the computer industry are becoming common in the sbs marketplace.

Sbs computers may lack the *excitement of* the big *mainframes* — but how they are being sold has become a fascinating story.

Minicomputers led the small business systems revolution—now micros seem to be a cost-effective solution, in many cases. But are these tiny machines up to the job? Elaine Williams examines the options.

Trend towards microcomputers

MOST PROSPECTIVE users of small business systems hope to find equipment which is not only low cost, but which also will match their needs exactly and be very simple to use. Rarely, if ever, do they find the perfect machine.

However the range of small business systems from which a company can choose is vast—it includes the latest personal microcomputers, which sit comfortably on a desk, to a minicomputer such as the Burroughs 800 which occupies a small room.

The miniaturisation of electronic circuitry is continuing to have its effect on the compnter market by providing small but more powerful systems so that it is often difficult to decide when a minicomputer-based system is superior to the latest powerful microcomputers.

There are, of course, many grey areas of application with the result that it is not an easy task to decide between a microcomputer or a minicomputer.

Consideration must be given to the extent to which the computer is to be used — whether, for example, it will be used ooly for one application, such as accounting and stock control; how much information needs to be stored; how many people need access to the system and whether it needs to be linked to aoy other computer system.

The answers to the above questions are also related to the size of the small business and the existing reliance on computing.

Another important question which determines which system to choose is "How much interactivity with the computer do you require?" because a large amount of direct computiog requires a large amount of storage space and slows down a microcomputer's response.

In eddition, the oumber of terminals which are linked to the system will determine the size of the computer to provide an adequate service.

One can already see that the trend is swioging towards the microcomputer because of the rush of new products into the market. IBM committed itself about a year ago, DEC announced a flurry of new personal business computers in early May while Sony followed with its first microcomputer a few weeks later.

Microcomputers are considered to be at the same stage in their development as minicomputers were in the early 1970s. The microcomputers are becoming a serious challenge to the larger systems hut often lack the software aupport. However such a shortcoming is likely to be remedied before long.

In fact, efforts to produce the type of computer programs for business previously only available on mini computers has been stepped up in recent months and several microcomputer manufacturers such as Tandy, place almost as much emphasis on the software they offer with their machine as they do on the attributes of their bardware.

DEC's new machine also comes equipped with modified versions of programs which were originelly developed for larger mainframe systems. To provide this, DEC signed an agreement with Applied Data Research in the U.S. This is among the largest software bouses which has concentrated on developing software for IBM and DEC mainframe computers.

Scaling down the powerful business programs such as financial modelling run on large systems so that it is able to run on microcomputers also indicates a possible direction of the so-called office of the future. With compatible microcomputers and mainframe software will come an integration of the network. A manager will be able to have powerful microcomputers on their desks to provide specialised computing directly related to his job, backed by the more comprehensive and more powerful mainframe system when needed.

When small personal computers came onto the market, manufacturers were not quite sure where the main market could be. It turned out that the majority of the applications were in business followed by a bealthy interest from tha educational world.

Even so, the criticism for those early machinea was the lack of software so that a small business executive bad to spend a lot of time learning about computers and programming before any benefit could be gained.

In general software programmes for minicomputer systems are specially tailored to the needs of tha company—bence the system is very expensive. In addition good back-up from the equipment supplier is usually needed to ensure that service is quick enough to ensure that the sytem does not fail for long.

Origins

When looking at the emergence of the personal computer for the business world it is possible to trace its origin to three main aources. Some are upgrades of personal computers sold by Apple, Tandy, Commodore and the like. Some are the creations of a new wave of entrepreneurs backed by venture capitalists.

The third and most recent trend is to condense minicomputers into personal computer systems bnt giving them the tag of advanced work stations, with the aim of getting the executive—whether bis discipline is law, tax, engineering or marketing—to become more involved in the computer side of the business.

To attract business users the microcomputer manufacturers have realised that their systems must ba simpla to operate with computing languages which have ordinary English commands.

In addition, a major selling point will be tha ability to carry out several tasks simultaneously. Another attraction for customers is a good graphic capability.

Today few machines meet these aims completely although some nearly do at prices which are a fraction of the cost of their minicompnter rivals.

Word processing, financial and management planning are among the more popular applications for the microcompnter. Increasingly there are demands on suppliers to offer better graphics packages so that a manager can present reports in a more visually appealing form.

When the prices of acoustic couplers—which provide the link between a computer and the telepbone network—fall, the potential for communication between microcomputers and larger data base information computers such as Prestel and private viewdata systems are likely to be fulfilled.

Analysts reckon that there is a trend towards work stations—based on 16 bit microprocessors—which began with the introduction of the IBM personal computer last year. This has been followed by introductions from Tandy and more recently DEC with its "rainbow machine."

To conclude, it seems that the advance in microcomputing is simply an exteosion of the sort of developments which produced tha minicomputer out of the large mainframe systems. The hig reductions in costs which bave resulted mean that tha decision of which system to buy is based increasingly on the availability of software for the machine and its suitability for tha business application.

MAJOR VENDORS—RANKING BY COUNTRY

West Germany	France	UK	Italy	Benelux	Scandinavia	Switz./Aust.	Spain/Port
IBM	IBM	IBM	Olivetti	Wang	IBM	IBM	IBM
Nixdorf	Olivetti	Burroughs	IBM	IBM	Ericsson	NCR	NCR
Kienzle	NCR	Systime		Philips	Wang	Philips	Olivetti
Wang	Burroughs	Olivetti		Nixdorf	Burroughs	Nixdorf	Philips
Trinmph-Adler	Nixdorf	DEC		NCR	Nixdorf		Nixdorf

Source: International Data Corporation.

Olivetti, among leading data processing equipment suppliers in Europe, feels that "the mini and micro can live alongside each other" and this is why the company has recently extended its product line with the inclusion of the M20 personal computer, above.

Bureaux offer "worry-free computing at a price you can afford". Some will give you your own machine. Alan Cane looks at the variety of services now available.

Bureaux making big changes

THE SMALL business systems market hardly existed a decade ago. If a company wanted to computerise its operations without going to the expense of a mainframe computer, it turned to a bureau, an organisation with its own computer and computer staff which was in business to sell its computing services.

There are still attractive arguments for using a computer bureau today. Mr Nick Scholfield, main board director for CMG, one of the UK's most active computing services companies points out that coming to terms with a computer places a heavy demand on human resources.

"By and large, it is still true that, no matter what claims are made for ease of use in any system, there will have to be a considerable investment in time. Now companies are in business to sell their products rather than administer computer systems and, when a company is small and growing quickly, time will be at a premium.

"The smaller systems, with their comparatively restricted range of operations, will prove more time-consuming than the larger systems."

The bureaux argue they can offer their users freedom from anxieties about technology and about operating the system.

Mr Rick Whiteman, marketing controller for Centre-file, the National Westminster computer bureau subsidiary and one of the largest payroll operations in the country, says: "A bureau user gets a total service. The bureau will provide both hardware and software. It will implement the system and provide maintenance. It will continue to hold the customer's hand and provide the necessary support if anything goes wrong."

But the bureaux are going through major changes forced on them by the falling cost of computer hardware. When the physical computer was expensive it made sense to go to a bureau for computing power. When a computer can be bad for little more than the cost of an accounting machine, does the same logic hold?

Competition

The bureaux have found, to their chagrin, that it does not. Growth rates for the bureaux business have been less than for the computer industry in general over the past few years, despite the fact that there is plenty of work about.

The main competition for the bureaux these days, in fact, is not each other but the company which wants its own machine.

So the bureaux have responded by supplying their customers with machines in a variety of guises. Mr Philip Wainwright, managing director of Geest Computer Services, says: "Two years ago, we were 100 per cent bureau. Now about half our turnover comes from hardware sales."

But all the sensible computer companies have realised that what the customer needs most of all is hand-holding. So the bureaux sell hardware but promise their traditional customer services in software support and maintenance on top. It may cost more than buying a computer from a high street store but most customers should be prepared to spend the extra for peace of mind.

Computer manufacturers, on the other hand, can see their profit margins eroded as hardware costs fall and they are moving into services to maintain profitability.

Forward looking bureaux now offer permutations on at least six basic services.

● Traditional batch. This is the oldest of bureaux services. The customer sends his business information to the bureau's computer centre where it is coded, processed and returned as computer print-out.

● Remote batch. A principal trend in bureau computing is teleprocessing. The customer has a terminal on his premises which is used to send business data over the telephone lines to the computer centre. Once printed out at the centre (now that high-speed page printers are in vogue, neatly printed A4 sheets are replacing unreadable continuous stationary) or sent back down the lines to be printed out on the customer's own printer.

Information

● Interactive: This means the customer is able to hold a "conversation" with the bureau computer using his in-house terminal. The customer can ask for specific pieces of information, use modelling programs to test business strategies and bring his files up to date. It is more expensive than batch or remote batch—but the service is instantaneous.

● Computer provision: This can take several forms. The innovator here was the U.S. bureau ADP which took the bold step a few years ago of offering its customers a small mainframe—the DEC 20/20—on their own premises. The name ADP gave to this approach, "On-site," has become virtually generic in the industry.

Now bureaux are offering small mainframes, minicomputers and micros as adjuncts to their traditional services.

Geest, for example, has just launched its own microcomputer, a small machine which can handle up to four screens built by NNC Electronics of California.

The company has taken what might be seen as a novel approach—the machine handles data bits only eight at a tima compared with the 16-bit machines which are at the sharp edge of the technology these days. Mr Wainwright, of Geest says: "We looked at the 16-bit alternatives and decided we would be better off with an 8-bit machine, especially because of all the software that has already been written for these computers.

"This computer is already in use with the U.S. Navy and it is very reliable. Furthermore, when the time comes it can be upgraded to a 16-bit machine."

Giving a customer his own machine solves two problems. It puts a ceiling on the amount the customer has to spend with the bureau as the machine is fixed-cost while bureau services tend to be related to central processor usage; and it keeps the customer in the bureau fold.

Everybody with a computer system runs out of capacity sooner or later and the bureau is there ready to offer advice and computing time to overcome the crisis and an upgrade to the system.

● Computer share. This is a variation both on conventional time-sharing and machine provision. The bureau owns and operates the computer—often a small machine such as a Texas Instruments minicomputer or a DEC—and sells or leases a fixed proportion of the machine to the customer.

The customer has as much use of his portiou of the machine as he wants. Again, there is a ceiling on his costs. When he runs out of capacity, the bureau can provide him with a turnkey system based on the same machine that he had been using. So the customer gets computing experience in a comparatively painless way and the bureau keeps another customer away from the computer distributors.

● Turnkey systems. This is a term for the installation of a total computing system, hardware and software complete and ready to run "at the turn of a key." The turnkey machine is often the same at that used by the bureau so a customer starting with a bureau service has no learning curve to ascend on taking delivery of his own system. Centrefile, for example, runs its interactive service Timelink on a big DEC mini, the 11/70. It will provide turnkey systems based on the 11/23.

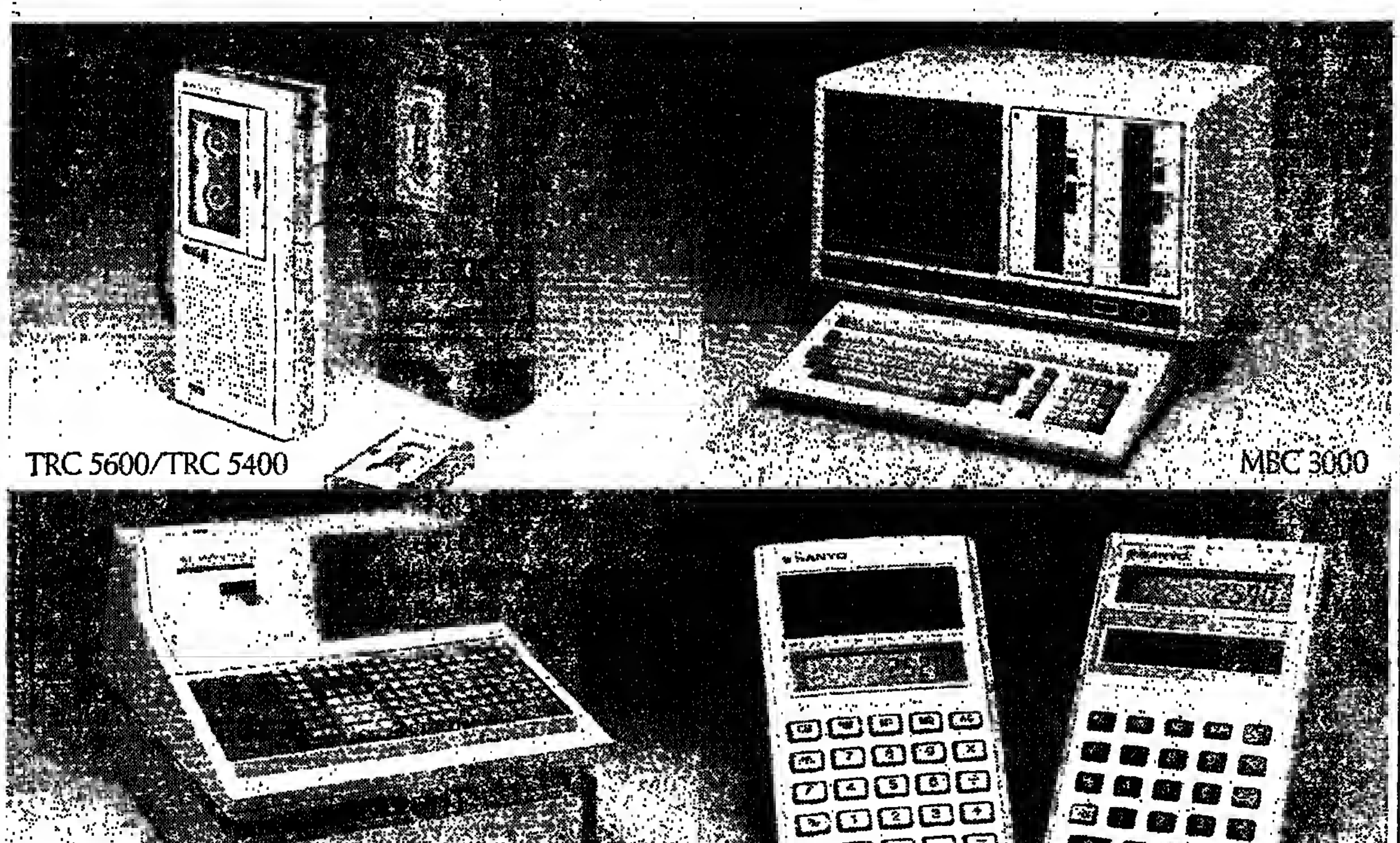
Ingenious

This list of six is not exhaustive and bureau operators are ingenious at ringing the changes on the basic variations.

There is, for example, facilities management where a computer owned by a company is operated by the bureau on behalf of the owner—including selling off spare capacity at a profit.

Mr Rick Whiteman, who is chairman of tha Computing Services Association Bureau Business Interest Group as well as marketing controller for Centre-file says that an organisation like Centre-file is equipped to deal with payroll for companies with as few as five people or with less than £100,000 annual turnover.

The kind of customer who could make use of e small business system is still, despite all the publicity, often wary of computers. For such a customer, a bureau could provide the answer. Says Mr Whiteman: "A new user has a lot to learn."



Effective, trouble-free software is the key to small business computing

Important questions on software options

IT WOULD be very useful if the businessmen who are currently contemplating their first computer system could learn a lesson from the past.

It should be easy enough to look back to those larger companies that pioneered automated business systems, scale the problem down a bit, and derive a feasible formula for success.

Many of the business problems are the same, small and large companies operate in the same environment and they are increasingly turning to the same machinery to solve their problems.

That machinery is, of course, the microcomputer and the problem that confronts all businesses is that of getting it to contribute cost effectively to the running of the business.

The fact that many larger companies are buying in microcomputers, at least as an addition to their larger machines, suggests that the past perhaps has no lessons to give.

If the pioneers of computing have solved all of their problems *why are they buying yet* more computing power?

What makes it difficult has nothing to do with the machinery, however. It has to do with the driving force within the machinery—the software.

All machinery requires guidance from a human agent. In a motor car this takes the form of direct handling of the controls—the human agent has the opportunity to guide the vehicle "hands on" or "on line." A computer is not as flexible. Its guidance in the form of programs (for which software is a collective term) has to be given in advance.

A brief contemplation of all of the gear changes, steering wheel movements and so on, needed to guide a car on a short shopping expedition, will give some idea of how complex a program can be.

The story does not end there. A computer program is only a translation of something far more formidable. In a business environment, it is a translation of the business system into static, mathematical terms.

So, before writing a program to, say, print a list of customers, a great deal of work has to be applied to understanding the way the customer lists works — questions such as: what length is the customer name? Should the address be included? Should they be printed in alphabetical order, account number sequence or by geographical region?

All these questions need to be asked. This is traditionally the role of the systems analyst who, *in consultation with the* people who will use the system, takes all of this information and moulds it into a coherent form. A significant number of steps leter, this should emerge as the system that the user wanted.

Many larger companies are turning to microcomputers because often the system was nothing like what the user wanted. They are presumably in the same position as the small business approaching automation for the first time.

Alternatives

There are three major options open to both groups of people.

- They can look for a software package — a sort of do-it-yourself kit with all parts and instructions supplied.
- They can grit their teeth and do it entirely on their own.
- They can purchase the services of an expert.

Software packages for micros offer the same advantages as those on larger machines. They usually comprise e set of programs thrown together under a heading such as "accounting system" or "stock control," a manual on how to set the programs up and a telephone number to ring in case of trouble.

They vary in price from e few pounds to e few thousand pounds and cover most common applications by now.

Their main advantage is that they have been tried before and *cost little, relative* to the price of the machine.

Their main disadvantage is that they are not very flexible and sometimes do not fit the business problem they are implemented to solve.

Since changing a package — even in an apparently trivial way — means bringing in the expert, packaged software must be pretty much what the user wants to start with — or it can prove very expensive.

Expertise is always costly and the demand for good software expertise at the moment makes it doubly so.

Making an inflexible software package fit, requires good software expertise.

So, of course, does the third option that is open to micro users. Where there is no package software available, it will *usually be the first* choice and is sometimes called "bespoke" software.

Traditionally, a software consultancy would wheel in a whole hierarchy of experts to build a bespoke software system. A senior consultant will arrive and assess the direction of the company, its policies, its management and the problem to be solved.

After due deliberation he will produce a feasibility study, making recommendations on the type of machine to purchase, the cost of programming it and many more detailed proposals right down to where to put the visual display units.

He will be followed by a procession of analysts, designers, senior programmers, *programmers*—all dedicated to solving the problem.

In the early 1970s, this would have cost anything from £20,000 to £¼m. Relative to the cost of the machinery, this would be seen as a necessary though trivial outlay.

But now that machine costs have come down so much, such figures are scrutinised far more closely and every effort is made to keep them as low as possible.

Despite this, they are still not low enough to appeal to the small business purely from a cost point of view. This is not the only way of doing it—programs can be written by less expensive organisations.

Mr John Hale, who recently made the transition from the established data processing community to become managing director of the Maidenhead-based micro-package vendor, Peachtree, reckons this to be a good option.

"There are two types of computer hardware dealer emerging. The first is not interested in the software at all and will just sell the kit and the packages. The second offers some sort of programming expertise," he commented.

Mr Hale went on to warn against trying to modify a package too much: "You could end up paying more for the software than the machine."

The second option—carefully left until last — puts the onus fairly and squarely on the shoulders of the person who wants the system — known in computerese as the "user." As might be expected, all of the experts agree that this is not a good thing.

The arguments against building your system from scratch, without the help of experts, are overwhelming.

Mr Peter Hewitt of the highly successful UK firm, Microfocus, commented: "I do not believe in non-software people building systems. The people who have been sitting down with the problem for the last 15 years have enough difficulty getting it right. There are just not the tools available to do it."

Mr Hale added: "I am not convinced it is viable — why should programming a micro be any easier than a mini or a mainframe. Even implementing packages people underestimate the time required to get it right."

Both Peter Hewitt and John Hale admit that they are prejudiced — after all both of their companies specialise in selling packages.

But then there are packages which supposedly enable you to build your own system without recourse to experts.

Phenomenon

Last summer saw the birth of a new phenomenon on the software scene. Nobody had thought to apply the full marketing treatment to a piece of software before the Last One stole the headlines.

Purporting to offer the final solution to the programming problem, the Last One excited interest throughout the computer community.

The excitement was intensified by keeping the product secret until the very last minute. Rather than being the final solution, the package turned out to be merely a rehash of an old idea that had been tried out for some time in the established computer industry.

In the long term, there are possible solutions beginning to surface which might make it feasible for the user to do it himself. The sort of initiative that the Japanese have taken in attempting to build "intelligent" machines in the Fifth Generation project could lead to computers which not only program themselves, but also aid in the design process.

In the short term, however, there are no instant solutions and the microcomputer user is stuck with buying a package that "sort of fits the job," spending a great deal of money on experts or spending a great deal of time on learning about the craft of building software himself.

There is, of course, a further option. Forget about computers altogether—sometimes this can be the most practical one of all, though it is likely not to be so much fun.

Philip Manchester

The IBM Personal Computer becomes an individualised word processing centre with the addition of its optional printer and text management software. It will store letters, manuscripts and other text for on-screen editing and rapid reproduction on the printer. The system can also be used for accounting, mathematical and home entertainment applications.

Richard Sharpe examines the ranges of packaged software available

Five rules for prospective users

BUSINESSMEN do not make the capital investment in a small business computer merely so that they can set up a data processing centre with operators, programmers and data processing managers.

The motivation of customers in this fast-growing market is to gain, as soon as possible, the increased business productivity that computerisation promises.

But the actual small business computer that they buy—the screens and keyboards all run by the processor and storage devices and printers—is so much scrap metal without programs (to use the computer industry spelling) of instructions to undertake the work of invoice generation or payroll calculation.

Small business computers come with their own programming languages, special dialects of instructions which can be strung together to get the desired output.

Writing programs, however, is a costly and time consuming business—so costly and time consuming that it has become a major headache for big computer users across the world.

How much better, therefore, that the programs of instructions should already have been written for the particular application that the user wants.

Such pre-written programs are called software packages and an increasingly large range of them are available on the small business computers now on sale.

Accounting is the single biggest problem that small businesses face, so it is natural that the greatest variety of packages for small business computers fall into this area.

General and purchase ledgers, accounts receivable, accounts payable, asset accounting, billing and fully integrated accounting systems are all regular features for small business computers.

The best packages, from the user's point of view, are those that are easy to install, flexible and easy to run.

Installation of a package often means that the users must decide, in advance, just what they want from the package—how they want the screen to be laid out, in what order they want their printout, at what points they want to be warned about inventory levels or credit overruns.

Choice

In choosing a small business computer, the vast majority of users have found that it is best to choose the software before deciding on the actual computer which will run the system—that way they get the packages they want, the packages which will best fit into their existing business routines, instead of getting the packages that happen to run on the most attractive pieces of computer equipment.

As the package is pre-written it is not built to each user's specifications. It is just like buying a suit off-the-peg—if the user's existing business routines are standard then the likelihood is that the package will not call for a total upheaval of office routines to accommodate the new small business computer; if, however, they are routines refined to the user's particular needs then the package will face the user with the task of fitting into its demands rather than vice versa.

So, prospective users have, over *the years, learned to seek* out existing users with the same type of demands to see what type of packages they already use.

Equally, prospective users are well advised to see a complete run through of the proposed package before committing their organisation to it; this should include showing the staff who will be working the system the proposed package for their comments.

The range of packages is growing all the time. One of the standard reference books for packaged software, the International Directory of Software, listed over 4,000 packages for all types of computers in its latest edition. Over 2,600 of these packages are pre-written programs to run user's applications, the others are routines to control the computer or get the

CONTINUED ON NEXT PAGE

SMALL BUSINESS SYSTEMS IV

Guy Kewney looks at the changing picture in computer retailing

How to choose the right computer

THE GREATEST single problem that most computer customers have with retailers is not the quality of the retailer, but the quality of the customer.

The majority of the people who sell retail computers probably started out in the business because they wanted a computer of their own — not because they had a lifelong yearning to run a shop.

This fact explains several of the strange features of the microcomputer industry — aspects which would otherwise seem purely irrational.

It explains why retail margins are so low; why prices are, nonetheless, so high; why some retailers have shop fronts hidden behind lace curtains; why they fail to sell essential equipment which their customers obviously need; why advertising is haphazard; and why after-sales service is sometimes either excessive or neglected. It explains why retailers have so little idea of how to hire staff, manage warehousing, or find customers.

But it does not explain everything about computer retailing, because the picture is changing. Today, the big consumer equipment chains and office equipment people are starting to realise that, after all, the cheap computer is not another skateboard phenomenon, and might even be a profitable consumer durable with interesting after-sales revenue possibilities.

These people, ranging from Currys to W. H. Smith, suffer from the other disadvantage — that of thinking that a computer should be capable of being sold like a washing machine or hi-fi — simply switch on and enjoy it.

As a customer, the way to avoid coming to grief at the hands of either of these extremes in the retail trade, is straightforward enough, if not simple. It is: extrapolate from your experience in purchasing motor-cars. And get informed first.

As with a motor-car, you must expect to find dealers who offer the same machine at different prices. You must expect, occasionally, to find special offers. And when a bargain comes along, you must weigh up the advantage of a lower price against possible hazards of dealing with a supplier you do not know too well.

But, most of all, accept that the business is one like any other, and that *caveat emptor* should be your motto—because the retailer is in business to shift capital equipment through his financial system, and not to provide a consultancy service.

Now perhaps it is a good idea to consider your reaction to somebody who, some 20 years ago, might have mentioned to you, as an aside in conversation, that they were thinking of buying a car from the neighbourhood mechanic.

The conversation could perhaps have gone like this:—

"Yes, he has it available through some lucky deals, and I can have it for no more than 20 per cent of the book rate, which is pretty good."

"Oh, really? I'd heard they weren't selling too well — only 400 in the whole of Detroit, in fact."

"Yes, the first few have been snapped up, and they're hand crafted, I gather. Beautiful bit of machinery, a full four cylinders, burns ptrol, and has an accelerator, brake and everything. He'll even tell me how to drive it, free of charge, and has offered to throw in a do-it-yourself driving course for £10."

"Don't you drive, then?"

"Not yet, but the machine has all the necessary controls, and once you've got it, you can get a thing called a licence, and after that you can drive it anywhere — even to France, you know."

The parallels are more precise than one might think.

Too many over-priced machines (which happen to be the model for which the ignorant dealer signed an exclusive import contract) are sold to the ignorant buyer on the strength of having "a full 64 K of memory, you know," or "able to run Basic" — machines which are, in fact, unreliable, slow and hopelessly underequipped with vital software.

Just as an example, consider the standard modern CP/M machine, available through only a couple of dozen retailers in Briain. It costs around £1,600, including two 100 Kbyte disk drives, CP/M, plus software packages called Wordstar, (a text processor and editor); Supercalc, (a financial modelling package); two versions of Basic, and several utilities, plus the option of a small utility screen, or a larger standard model—plus the necessary sockets into which printers, telecommunication and other remote devices can be plugged.

Any dealer who cannot supply that machine (the Osborne) will have to make do with what he has. It may be something that was, previously, e very good deal—he may happily display the now ageing Superbrain, and explain that it "has two processors" as though this made it somehow twice as good, or sell the even more antique (though classic) Apple without any mention of the large number of extra components and software items necessary before it can be used.

There was once an Austin which was advertised as doing "100 miles an hour, 100 miles to the gallon, and costs £100."

True, there was a model which had been souped up to do 100 mph. And another had been adapted under extremely specialised conditions to use a gallon over 100 miles. And the cheapest version, without necessary extras, did cost nearly £100. But not all at once!

Similarly, older microcomputers can be "dressed up" to appear competitive with more modern designs—and e dealer who does not have a modern machine has no choice but to play that trick.

Unfortunately, sensible businessmen who would no more have paid money for a car without knowing how to drive than they would have bought Brooklyn Bridge from a shoeshine boy, believe that microcomputers are, all by themselves, an automatic solution, and that the solution can be invoked, somehow, by turning the thing on and listening.

Watchdog

The Computer Retailers' Association exists because this is not possible—it is the self-appointed trade watchdog. It is fair to say that the CRA now prevents, or et least inhibits, the worst excesses of the unscrupulous—and that the display of a CRA badge is some guide to the likely ethics of a retailer.

But retailers of computers, unfortunately, are caught between myth and reality.

Myth says that computers are cheap—and indeed they are, by comparison with the institutionalised minicomputers of ten years ago. But in real terms, they are over-engineered, and carry too small a retail margin.

As long as the manufacturing industry is happy to set up a production line which can reach a maximum output of a few hundred a year, and regard this as "mass" production, microcomputers (with a few exceptions) will cost around 60 per cent or in some cases, more of their street price to produce. Import duties and costs, distribution and marketing overheads, and inevitable mechanical support, means that most retailers struggle to make 20 to 30 per cent profit.

Until true mass production gets started in more companies than Osborne computer, retail than Osborne computer, retailers will have to concentrate on passing equipment through their hands as fast as possible, with crossed fingers.

As an example of the pressure on the retailer, it is worth mentioning a would-be customer who recently persuaded a supplier to loan him a machine for a month on approval. With the machine there should have been e vital program, known as the operating system, without which the hardware was useless junk. By accident, the operating system was not supplied.

The customer had the machine for two months, during which time the operating system was not supplied. After the first month, the customer asked for it to be removed. At the end of the second, a bill arrived.

The customer naturally dealt with it speedily, by loading the machine into his car, and dumping it back on the dealer, who was delighted to see it, and who cancelled the invoice on the spot. There was no question of sharp practice; he was very apologetic — but, said the customer, clearly could not spare the time to do more than supply the machine, and hope it worked. And if it didn't, to take it back with as little fuss as possible.

The only possible safeguard againt these hurried people is to ensure that you know what you are buying, and how you will use it. Ignorance is no defence.

The theory that "I just want something I can switch on and nse" applied to something as complex as a computer, makes about e tenth of the sense it would make to get into a car for the first time and expect to navigate and drive from Birmingham to London.

And anybody who expected the dealer to drive the customer there free of charge would rightly be derided as a fool.

Packaged software range

CONTINUED FROM PREVIOUS PAGE

optimum performance out of it.

From these 2,600 applications packages, the ones that will interest the small business computer user, 1,788 fall under the category of accounting, administration, production and distribution packages.

They range from the accounting packages listed above to performance analysis, for which there are 36 packages, export and import administration, for which there are nine, through telephone usage analysis, 14 packages, to hire purchase and lease accounting: 17 packages.

The directory is published every two years and since the edition before last the entries under this category have grown by 32 per cent, a sign of the popularity of these types of packages. But, in the two years between editions, there has been a high fall-out rate of both suppliers and packages; only 80 per cent of package suppliers responding to the directory's survey in September 1979 also replied in September 1981.

Users are therefore tending to concentrate their purchases on the more stable suppliers, es, during their use of the computer, they may need additional developments in business practices incorporated into the package.

The choice of package is also the choice of supplier, which should prompt a close investigation into the viability of the supplier along normal commercial lines.

A complementary source of information for prospective customers is the National Computing Centre (NCC).

The NCC responds to requests for information from its supporting members but also offers an information service from non-members on a fee basis. Enquiries about software are currently running at 3,000 e year, according to Mr Roger Brady, bead of the NCC's information services. And the majority of these queries come from users or prospective users in the small business computer category, he added.

The NCC holds a detailed database on 3,000 packages for all types of applications. While the majority of entries in the NCC's package database are on the standard accounting applications, it also has information on the general packages which will handle files of any type of data — sorting, indexing and retrieving the records in files built up by users over a period of time.

In the past few years, package vendors have tended to carve out a niche of the market for themselves, avoiding the bruising battle of competing with the thousands of accounting and administration packages for general business use and going after the specialised business.

Jewellers, for instance, now have a package that can run on a popular mini computer while solicitors can set their time and materials against clients with another. This specialisation has even reached the level where suppliers of amusement machines can load a standard package onto one of the more popular mini computers and be given regular print-outs on the "take" for each machine set against its rental while calling up on a screen data about cash collection, VAT payments and cash flow.

While any number of packages on the market may fulfil the user's needs today, the more forward user tries to judge their needs tomorrow.

They do not, for instance, want a package which will serve their purposes for the next two years only to leave them high and dry because it only runs on a computer which will rapidly be out of date.

Users can also be drawn into a dead-end when they try and add another package alongside their first choice only to find they cannot hand records one to the other and a lot of programming has to be undertaken to obtain the two packages working side by side on the same information.

The computer language in which the package is written, although of no immediate concern for the user, is an important criteria. The computer programming language, Basic, is the most popular for smaller computer but it is now increasingly evident that Basic programs are not easy to take from one computer and run on another.

The older, and more established language for commercial applications, Cobol, is therefore becoming a popular medium for package writers and Cobol programs are generally easier to transport from one machine to another.

This criteria of language is important for the prospective of the package that is already written and even more important for the customer who commissions a company to write a package for them.

In the last few years small businesses with a common interest, such as estate agents or engineering companies, have commissioned software houses to write a package to their general specification which is then used by all the companies in a group.

So, if you cannot find the peckage you need today enquire among companies in a similar business to yours and you may find others who are willing to sponsor the work.

In all, prospective customers of packaged software for small business computers should keep five rules in mind when choosing from the many thousands of packages available.

● Rule one, which should never be broken at any cost, is to see the package running on the computer you intend to get before finally committing to it.

● Rule two is to judge if the introduction of the routines

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Western European installed base share by vendor

Figures for year-end, 1981

	Units installed	% share	Value $m	% share	Average value $'000
IBM	22,600	11.5	1,634	23.9	72.1
Olivetti	49,525	25.3	792	11.6	16.0
Nixdorf	13,050	6.7	715	10.5	54.8
T-A	34,430	17.6	527	7.7	15.3
Kienzle	13,990	7.1	478	7.0	34.2
NCR	8,310	4.2	450	6.6	54.2
Wang	7,971	4.1	358	5.2	44.9
Burroughs	6,641	3.4	347	5.1	52.3
Philips	4,785	2.4	240	3.5	50.2
DEC	4,499	2.3	210	3.1	46.7
CTM	5,055	2.6	146	2.1	28.9
Ericsson	1,971	1.0	119	1.7	60.4
Logabax	4,700	2.4	115	1.7	24.5
Others	18,265	9.4	699	10.3	38.3
TOTAL	195,792	100	6,830	100	34.9

Source: International Data Corporation.

A host of suppliers seeks to dominate the small systems market, **Jason Crisp** reports

The race is on among manufacturers

SCARCELY a week goes by without the launch of yet another small computer system. Since many of the potential purchasers of these systems have probably never owned a compnter before—indeed five years ago they would not even have dreamed of one — confusion is rife.

The range of companies offering small business systems, from small minicomputers to micros, is equally bewildering. At one end of the scale there are the U.S. computer giants of old, like International Business Machines (IBM), Burroughs, Honeywell Sperry and NCR, and the European manufacturers like ICL, Philips, Olivetti and Siemens.

Then there are the fast-growing minicomputer manufacturers like Digital Equipment (DEC), Data General, Prime, and in the UK Systime. And while well-established, if youthful, microcomputer companies like Apple, Tandy and Commodore surga forward, they are joined by new companies with potentially ataggering growth rates like Fortune Systems, Osborne, Convergent Technology and Altos Systems.

In addition there is a host of companies offering software for the better selling systems the quality of which is somewhat varied. But good software can prove to be a major stimulus for model'ssales. Apple's sales were boosted by the Visicalc programme which enabled a person to perform financial analysis on a personal computer.

While the prices of small minicomputer systems have been falling some of the more dramatic moves have come in the smaller personal computers.

IBM's move

The most significant—and most feared—entry into the personal computer market last year was IBM. It unimaginatively called its personal computer the Personal Computer and it is selling in the U.S., directly and through retail outlets like Sears Roebuck and Computerland, at a basic price of $1,500. In typical business configuration with two floppy diskettes and a printer the price is around $4,500. The Personal Computer is not yet officially available in Europe although a few have been purchased from retail outlets and been sold in the UK, Italy and other European countries.

The most dramatic entrant this year has been DEC. The minicomputer giant launched three micros — DECmate II, Rainbow 100 and the Professional — of differing power and performance atarting at just over $3,000 fur a basic system. The computers are being launched in the U.S. and Europe in the autumn and with a low price the waiting time is expected to be long. DEC has said it wants to capture 15 per cent of the rapidly growing market for desktop computers.

ICL has now started manufacturing the powerful Perq microcomputer system, above.

As the world's second largest computer company, it was founded 25 years ago, it bas an extensive sales and service network — one of the keys to succeediog in small computers. And while DEC has been criticised for being late introducing a personal computer many analysts bave predicted it will become a major force.

Both the IBM Personal Computer and DEC's Rainbow and Professiooal are 16-bit computers which make them significantly more powerful than most personal computers available based on 8-bit processors.

Several small fast-growing Californian companies have created a new generation of the 16-bit "super micros," like Altos, Convergent Technology and Fortune.

Fortune is believed to have raised the largest venture capital sum for a microcomputer start up. Its powerful computer costs $5,000 in the U.S. and £3,510 in the UK for a basic machine with a single floppy disc. It is being sold by a number of original equipment manufacturers locluding its largest shareholder the French electronics company Thomson-CSF.

Although most personal computers, like Apple's and Commodore's, are based on 8-bit processors, there has been a rash of 16-bit machines announced including those from the Japanese including Hitachi, Seiko, Panasonic, C Itoh and Sord.

Earlier thia year Olivetti, with a significant share of the European small business systems market, launched its first personal computer, the M-20, also 16-bit, costing £2,900 in the UK including two floppy disc drives and a low cost printer. Olivetti says it wants to have 10 per cent of Europe's persooal computer market by the end of 1983.

Britain's ICL launched its own personal computer earlier this year to complete a range of new small business systems which have been launched over the previous year. ICL's personal computer—with an 8-bit microprocessor—is based on the Rair "Black Box" and is made under licence at its factory at Kidsgrove.

The Perq

Earlier this year ICL also started manufacturing the much more powerful microcomputer, the Perq, which was developed by Three Rivers, a small U.S. company based in Pittsburgh. Costing around £25,000 in the UK it is a very powerful computer capable of extensive communications and can display detailed graphics.

The Perq is regarded as particularly suitable for use by scientists and engineers and other professional staff because of its good graphics and useful design abilities. It is also to be sold as an office termioal.

The Leeds based minicomputer company Systime which sells systems based nn DEC minicomputers has produced independeotly of the U.S company, its own 16-bit microcomputer which sells at just under £5,000. Other UK companies in the field include Casu and Nascom, part of Lucas Logic.

Louise Kehoe in California looks at the impact of 16-bit microcomputers

More speed and power

WHEN does a personal computer become a useful business machine?

The answer, which is beginning to emerge in the U.S., is when it has a 16-bit microprocessor hidden inside. The latest microcomputers offer performance previously associated only with larger, much more expensive minicomputers and they add *new dimensions to the* use of microcomputers in business.

Over the past year, several new 16-bit microcomputers have come onto the market. IBM opened the gate last year with the introduction of its "Personal Computer."

New companies like Fortune Systems of California, followed with high performance machines that redirect the microcomputer towards the business user.

Digital Equipment Corporation recently added its "Rainbow 100" 16-bit microcomputer to the growing list, and Tandy made its bid for the corporate market with the announcement of its "model 16."

Commodore is another personal computer manufacturer that is "growing up" into the 16-bit high performance arena from its base in home computers.

The significance of the 16-bit chip goes far beyond the technical advance of cramming a bigger computer onto a tiny piece of silicon. As compared to their 8-bit predecessors, the 16-bitters are faster and mnch more powerful. Their speed comes from the fact that they process twice as many "bits" of data in a single cycle. The power stems from their capability to "address" more memory space.

Performance

The biggest upgrade in performance comes from the "multi-tasking" and "multi-user" aspects of these systems. They can perform several tasks at once. A single 16-bit microcomputer—such as the altos *system, or the Tandy model* 16 —can support up to three users, all simultaneously working on different jobs, using terminals connected ot the main computer.

Alternativaly, a single user system can coocurrently perform several unrelated tasks. One user might, for example, want to print a letter, compose the next one and send a message to another computer, all at tha same time.

Such multi-tasking systems extend to up to 16 operations—all being performed simultaneously. That might sound excessive, but an examination of work rontines quickly reveals that it is not.

In practice this means that 16-bit micros can handle more complex computational problems. That may not seem to be too important for office applications of computers, but it is. The so-called operating systems—programs that control the inner workings of the microcomputer —can be much more sophisticated in a 16-bit machine because there is more storage space available to hold them.

While the standard operating *systems for* 8-bit micros, such as those used on the original personal computers, did much to establish the use of the machines in both office and home environments, the operating systems developed for the 6-bit machines enhance their capabilities substantially.

Such multi-tasking systems extend to up to 16 operations—all being performed simultaneously. That might sound excessive, but an examination of work routines quickly reveals that it is not.

Few executives can afford the time to concentrate solely on one task at a time. For example, the marketing manager preparing a report will need to break away from writing to find some data. He may be interrupted to answer telephone calls—which may also require him to look for information in his files. In the midst of it all, he may want to work out how various market projections will impact sales, send memos—and so on.

Using a standard 8-bit microcomputer, these work patterns will involve a lot of switching of disks holding different application programs—waiting for each disk to load its contents into the compnter memory—and worse still, going through the routines required to get into and out of each separate program.

Printing a document will employ all the resources of the 8-bit microcomputer. Sending one task at a time. For example, another computer will tie np the computer and the telephone line hooked np to it.

The 16-bi micro, with a multitasking operating system, on the other hand, can switch from one program to another, without delay.

It will probably be equipped with a mini Winchester disk drive—a memory system with much higher capacity that can hold several application programs on one disk. (Some of the higher performance 8-bit systems such as the Apple III can also use mini-Winchesters but their built-in memory—the chips that hold the program while the computer is running it—is more limited than 16-bit machines.)

Another important advantage of the 16-bit machine is that its superior computational capabilities enable it to provide high resolution graphics in multiple colours. This allows diagrams, charts and complex graphs to be accurately and clearly displayed.

Many of the differences between 16-bit micro machines and the older 8-bit models reflect the fact that manufacturers have learned some lessons, and corrected some of the less attractive features of earlier systems-limited built-in memory and poorly designed keyboards, for example.

The new 16-bit machines have been designed specifically for office use, while the original 8-bit personal computers were aimed at a nebulous market which included hobbyists and home computer users, as well as the businessman.

What are the drawbacks of the 16-bit machines?

Initially, at least, the 16-bit microcomputers will cost considerably more than 8-bit machines. The prices of 8-bit computers are falling steadily, so that fully equipped systems can now be purchased for around $3,500. 16-bit machines run closer to $7,000 for a well configured system. Add another $2,000 to either price for a "letter quality" printer.

Another problem with the 16-bit *machines is that* because they are so few—the first ones appeared in the U.S. last year—there is very little ready made software available for them. Manufacturers assure the customer that this situation is temporary, but in the meantime the lack of facilities, such as 16-bit versions of word processing packages, spread sheet programs and so on, severely limit what the average user can do with his 16-bit system.

Perhaps even more important, there are very few people out there—even among the dealers —who have much experience in using the 16-bit microcomputers. That can be a problem for the computer novice seeking advice.

Burroughs enters 16-bit battle

BURROUGHS has launched its B-20 range of small business computer systems. Although it is one of the new generation of 16-bit micros, Burroughs states that the B-20 is not a personal computer. It is a multi-function business - orientated work station.

Based on code compatible Intel 8086 or 8088 16-bit 5MHz micro processors, the B-20 may operate as a stand-alone small business computer, as a distributed data processing terminal system, and as a local area net-working work-station. Multiple work-stations can thereby share resources and intercommunicate at 307K baud, via multi-drop RS 422 lines, or 19.2K baud via RS 232C channels.

SMALL BUSINESS SYSTEMS VI

Alveronic's DECmate 278 commercial package combines the functions of a word processor and data processing system into a product which is little more expensive than many single-function, stand-alone devices.

UK INSTALLED BASE BY MAJOR VENDOR
Figures for year-end, 1981

	Units installed	% share	Value $m	% share	Average value $'000
IBM	3,008	15.3	223	27.5	74.1
Burroughs	2,400	12.2	134	16.5	55.8
Systime	1,300	6.6	78	9.6	60.0
Olivetti	3,500	17.8	56	6.9	16.0
DEC	1,116	5.7	52	6.4	46.6
NCR	860	4.4	34	4.2	39.5
Nixdorf	400	2.0	31	3.8	77.5
Kienzle	1,520	7.7	27	3.3	17.8
Others	5,606	28.3	176	21.8	31.4
TOTAL	19,710	100	811	100	41.1

WEST GERMANY INSTALLED BASE BY MAJOR VENDOR
(Figures for year-end 1981)

	Units installed	Share per cent	Value ($m)	Share per cent	Average value $K
IBM	6,935	10.7	488	22.0	70.4
Nixdorf	6,750	10.4	361	16.3	53.5
T-A	23,300	36.0	360	16.2	15.5
Kienzle	6,915	10.7	277	12.5	40.1
CTM	5,055	7.8	146	6.6	28.9
Wang	1,453	2.2	112	5.1	77.1
Olivetti	5,600	8.6	90	4.1	16.1
Philips	1,375	2.1	69	3.1	50.2
Others	7,386	11.5	314	14.1	42.5
Total	64,769	100	2,217	100	34.2

Jason Crisp shows how two different companies have benefited from small computer systems

Equipment proves to be valuable aid in administration

BERNARD WALSH, founder of Wheelers, the London based chain of restaurants which specialises in seafood, first heard of restaurateurs in the U.S. using computers to run their business about six years ago.

Although Walsh died last year he was able to see Wheelers become ooe of the first restaurant businesses to be computerised in Britain. Nick Newland, a young accountant hired six years ago, was given the task of finding out what could be done and who could do it. The urgent priority was to computerise the complex administration with 450 staff serving thousands of meals a week in 13 restaurants.

The search for a system began in earnest three years ago and after a considerable amount of work Newland produced a document detailing Wheeler's system requirements which was sent to 20 companies including IBM, ICL, Philips, NCR and Digital Equipment.

The responses were mixed. Some, says Newland, were very keen to implement the system be had worked out. Others wrote back and told him to forget his requirements but offered alternative solutions. Curiously IBM did oot bother to reply at all.

From the replies Newland chose three companies which he asked to quote a price to meet his general specification, which was not a detailed system requirement. The successful company then spent three weeks at Wheelers making a very detailed and comprehensive systems specification.

In addition to fairly standard business requirements such as the computerising of payroll, sales and purchase ledgers Wheelers had several special requirements such as the "tronc." The tronc is the collection of 10 per cent service charge which is automatically levied on customers. The amounts collected are brought together at Wheelers head office close to Chinatown in Soho, VAT is deducted and all of the service charge is allocated to the staff on a points system in their pay packets the following week. With so many variables it took a clerk several days to work out.

The successful company with the lowest bid originally quoted £47,000. But after three weeks' study of Wheelers' special requirements, the company said the system would cost £55,000. It is not an unusual ploy of computer companies to bid below what they will eventually charge and it greatly irritated Nick Newland. He was not inclined to go back to his board to ask for an increase in his budget.

"It is a manner of selling I dislike and I refused on principle even though the company then reduced the price by £3,000. The company hopes that you have gone so far down the road with it that you feel you have to accept."

Coincidentally Wheelers' auditors had been looking for a small business system for themselves and after a detailed investigation had opted for a small UK computer company, Star, which had not been on the original list of 20 companies.

Star was presented with the detailed system requirements compiled by the previous company. It made some amendments and quoted just over 10 per cent below the previous lowest initial quotation.

The system was installed in October 1980 after Wheelers had its warren-like offices completely wired so that video display terminals could be used, if needed, anywhere in the building.

Initially Wheelers had someone from Star for a brief period on call to help it get accustomed to the new equipment. Newland says that since it has had the computer virtually nothing has gone wrong with the hardware apart from an occasional failure of a video display unit. There have been problems with the software which have been cured by Star working remotely linked to Wheelers' computer via the telephone line and an acoustic coupler.

The main problems were on the bespoke software written especially for Wheelers rather than the standard packages. But Newland emphasises the problems are normally solved very quickly.

The system is also being used for the administration of customer credit accounts, mailing lists of its quarterly magazine and for word processing. Wheelers is now looking at tills for each restaurant which will record all the transactions directly on to magnetic tape or disc. Administration staff has been cut from 24 to 19, partly because of change in methods and partly because of computerisation.

Solution to complicated calculations

Tom Ravensdale's need for a small computer system is very different to that of Wheelers. Although he is a biology lecturer he is also a motor accident investigation consultant. Accident investigation is an esoteric art confined almost entirely to the police force.

Ravensdale is the only civilian to have been trained in accident investigation at the Hendon police college. He has also studied at Northwestern University Traffic Institute in Chicago under Stannard Baker, the doyen of accident investigators.

The core of reconstructing accidents is lengthy, detailed and complex mathematics which are based on Newton's laws of physics. With a keen interest in technical devices Ravensdale decided to buy a microcomputer to help him perform the laborious and time consuming problems of analysing accidents.

Ravensdale bought a Tandy TRS-80, one of the world's best selling microcomputers which competes with particularly Apple and Commodore. Largely self-taught, Tom Ravensdale has now written his own computer programs which, he says, have attracted considerable interest in the U.S.

Ravensdale has a wide range of programs for reconstructing a variety of accidents from fairly limited data such as the length of the skid marks and the final position of the vehicles. In a matter of seconds the computer will calculate, for example, the speeds of the two vehicles immediately prior to the collision. The same calculations performed manually would, he says, have taken a week.

Tom Ravensdale first used a computer to calculate accident reconstructions after meeting a director of a computer bureau who had a strong interest in motorbikes and let him have use of one of his terminals. Ravensdale's biggest problem has been condensing his program to operate on a microcomputer. Through a technique he devised for himself he has been able to compress very lengthy and complex programs.

He can calculate what happened in a wide range of incidents from a car hitting a pedestrian or another car to the speed and angle of lean of a motorbike crash from the gouges in the road.

Most scientific accident reconstructions are performed by the police for criminal prosecution. Ravensdale appears in court either defending in criminal proceedings or for civil litigation cases. With a small Japanese hand-held computer he even makes additional calculations in the witness box.

Choice of software

CONTINUED FROM PAGE IV

which the package will demand is an acceptable change to existing business practices—the promised productivity of the package may be frittered away in the confusion and frustration of change unless properly managed.

● Rule three is to make sure that all those that will use the package, and its output, are fully trained, before the package is run. And then do not abandon the old business routines the day the package first runs, operate the two in parallel until fully satisfied that you are getting what you want and what you expected.

Training and documentation should be provided as part of the package by the vendor.

● The fourth important rule is to evaluate the viability of the computer and package suppliers as your computer and packages may need extensive maintenance during their use. Apply the normal commercial criteria in your evaluation and do not be blinded by the fact that the market is growing rapidly into thinking that your supplier must survive: many have not, leaving customers without the support they badly need.

● The last rule, the one most difficult to keep but the one that really pays off in the future, is to choose a package that will not be a dead end. You may soon want to run the package you buy today on a more powerful computer with, for instance, more storage and screens than your existing model can support.

Equally, you may want to add another package beside your new purchase which gives you a different type of output from the same data.

One final word of warning about which computer-users are often caught out: if your supplier cannot talk your language, if they have to hide behind the jargon of the computer industry, then how can they write a package that fits neatly and profitably into your business?

The writer is Editor of "Computing" magazine.

هكذا من الأصل

Users with more than one machine will eventually want to link them together to share resources. Geoffrey Charlish looks at the prospects for small business systems interconnection.

Vast potential for data-exchange devices

THERE ARE perhaps three aspects of communications for any organisation that is planning to acquire, change or expand a small business computing system.

One of them, the connection of terminals and peripherals to the stand-alone computer, is straightforward, as is transmission to a remote site over PTT *data lines.*

The second aspect is the way in which those national links might be expected to change—and they will change dramatically over tha next decade or two — while the third is the currently "hot" topic of the local area network, or LAN. The LAN is an intra-company network arising in the main from a company's acquisition of further computers and peripherals together, perhaps, with other information devices, audio or visual, and the need to connect them all together to form an economic, integrated whole.

The ultimate, fourth aspect might be thought of as the integration of tha other three — a brave new digital world, as it were, in which any terminal, anywhere, can talk to any other.

Communication within a simple, single computing system is nowadays fairly standard. The data will be coded for transmission using the eight bit international standard. Transmission can be parallel (all eight bits at once down eight wires) or serial (over one wire pair, which is cheaper for longer distances). It can be asynchronous (essentially in*termittent, for man-machine* communication) or synchronous for machine talking to machine. Data rates can be from about 100 bits/second to 9,600 bits/second and beyond.

Most of these matters are taken care of by the machine suppliers, but the small machine user should be assured that tha interfaces and cabling are appropriate.

Connections to remote equipment are mada more complicated by the fact that the world's PTT phone natworks were designed to deal with audio sine waves, not digital pulses. Change has had to be slow whila enormous sums invested in tha analogue transmission systems and exchanges are amortised. So units called modems are needed to turn digits to tones and back again.

Data can be sent over national and *international* lines or satellite links at speeds from 300 to 16,000 or more bits/sec. Dedicated, leased lines are more suitable for heavy traffic while the dial-up services suit infrequent transmission and are more likely to appeal to small business system (SBS) users. Packet switched networks are being established and recently the first UK moves towards the "total *digital network*" were accelerated with the British Telecom announcement of Kilostream.

Multiplexing

Marconi is working closely with BT on this part of a hierarchical system which will employ a 64 kilobits/sec link from tha customer's premises over his existing pair wire connection to the local System X digital exchange. Here, deta streams at 64 kb/s will be multiplexed (merged together) to give higher rate data flows over existing pulse code modulation (PCM) "junction" links to other exchanges (BT has installed 11,000 such systems over 10 years to enlarge phone call capacity).

Further multiplexing to the 100 megabits/sec region will give digital trunk connections between main UK business centres by the end of next year, using copper, fibre optic and microwave links.

Thus, the framework is growing for a direct terminal-to-terminal national all-digital system which anyone, including the business microcomputer owner, will be able to use as easily as the present telephone system.

Within companies the LAN has assumed inevitable significance following tha blossoming of the low cost microcomputer. As small companies grow and acquire further machines it makes much economic sense to share the relatively expensive disc stores and printers and to freely exchange data.

Similarly, the divisions or departments of larger companies can operata their own, tailored computing schemes without dependence on some big central machine and its communications links — but with the prospect of communicating with it if necessary.

The crucial point about such a system is that devices can be added or removed without affecting those already connected elsewhere on the cable and without any kind of rewiring (up to the maximum capacity of the cabla and system). The cable is simply run around the building and tha devices connected in with "T" junctions.

Such a system may not, however, have the capacity for ultimate additions of other services such as video and audio — and this is where there is a growing contention between the proponents of "baseband" and "broadband" *systems: the* latter can carry much more information at any moment than the former. How do they differ?

For baseband read "single channel pure digital," for broadband, "multi-channel, radio frequency carriers each modulated with digital data." The use of radio frequencies allows looger distance higher capacity transmission — of digital data and analogue signals such as speech and TV.

The baseband technique usually uses packet transmission in which, in essence, each device can send e message exactly when it needs to any other device. The devices share tha cable in time slots instead of each baving e separate wire.

When a device wants to transmit, it waits for an empty tima slot and then emits into the cable the destination eddress, its own address *and the data for* transmission. Tha receive circuits of each connected device examine each passing message, accepting only those addressed to it.

This, approximately, is the basis of Xerox's Ethernet, which has been embraced by DEC and Intel and is licensed to other companies. Sucb techniques are also used in the Hasler SILK system and the Cambridge University Ring, which is marketed by Logica (Polynet), Linotype Paul, Orbis, Zionics and others.

In addition, many of the microcomputer makers are offering, or will sooo offer, low capacity LANs, usually for their own *machines. Others, such as Texas* Instruments and Racal, in recent weeks, have offered further "open" systems where, through interfaces, various makes of device can be connected.

Rush is on

As might be expected, there is a growing need for standards, apart from the fact that thera ara a variety of baseband capacities offered from under one to over 50 megabits/sec. All this is being examined by the IEEE in the U.S. and other formal bodies but the belief *is growing in the industry that it can only* be specific commercial success that will spell out e standard.

Yet others feel there is no need for standards since most small users will be locked into a particular macbine maker and interfeces can always be contrived where necessary, into other LANs or national networks.

In aoy event, the rush is on and there are believed to be over 100 companies selling LANs of one kind or another.

In the U.S. many of tbem make offerings based on a loog background in cable TV and are natural exponents of broadbaod. Tbey have a champion in Michael Killen, president of Strategic Inc., who receotly issued a report on LANs which suggested that Ethernet, the front runner baseband system, would soon fail.

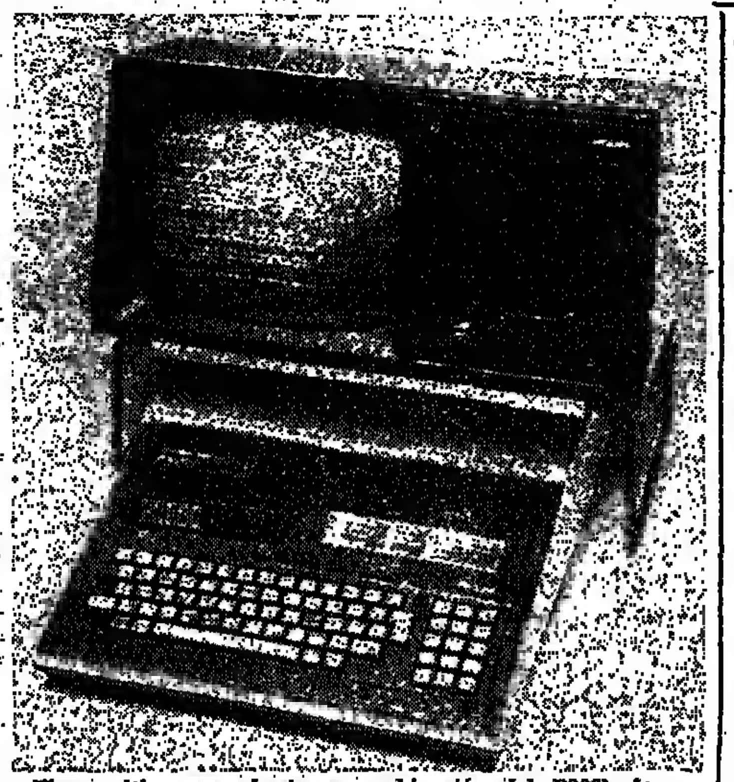
He believes that buyers are *already opting* for broadband to cover future capacity requirements and prevent expensive re-wiring leter on. In London recently, Killen produced figures which seemed to show that, beyond ebout a dozen outlets, broadband is cheaper to instal.

Among the proponents of broadband io the UK are Interactiva Systems/3M (tipped by Killen as leader), Sytek (from Network Technology in the UK) and Wang.

Complicating the issue are telecoms-based companies like ITT and other giants like Philips, who offer local nets based on the PABX. It is possible too to base networks on viewdata protocols (GEC, Rediffusion, etc.)—interesting in that standards can be applied over established networks.

So the market is wide open and it is likely to be worth \$3-\$5bn within e decade.

An operator prepares a message on a visual display unit for transmission via a Format Communications processor-based message switching system at Talbot Motor Company's London headquarters. The system links production centres in tha UK and on the Continent, as well as Talbot's regional offices and dealer network.

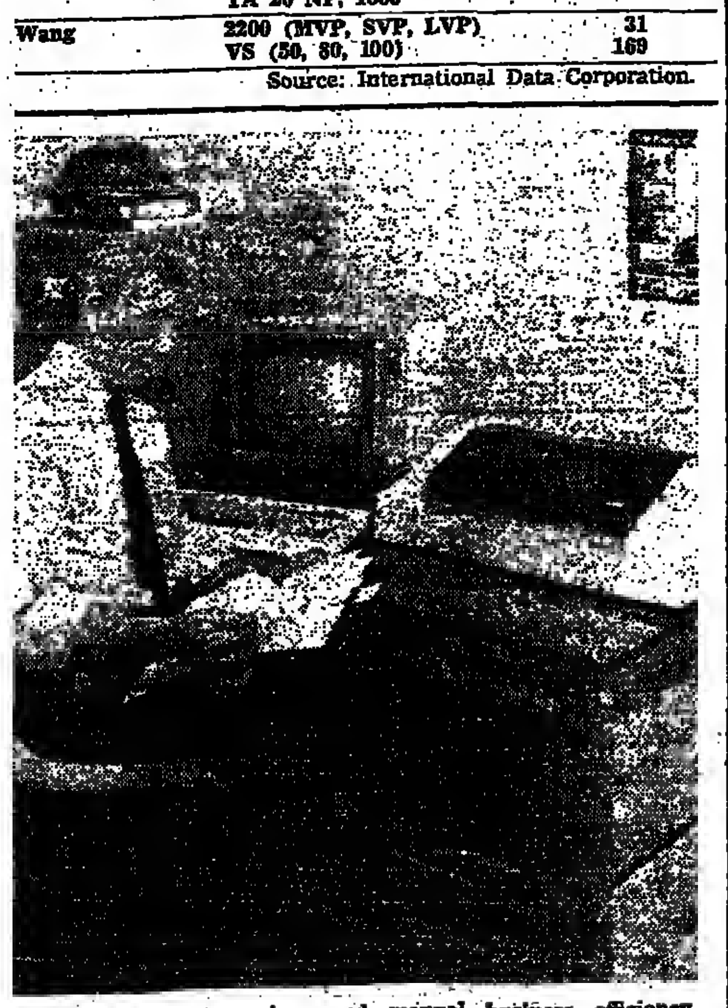


The multi-purpose business machine (model P200) from Philips Business Equipment, is available in a variety of configerations, and can function as a microprocessor, or a viewdata terminal. In its basic form, P2000 consists of a microprocessor unit with QWERTY keyboard linked to a video display.

Leading SBS Models

Vendor	Model	Average system value, £'000
Burroughs	B80, B90 (B91, B92)	34
	B700, B800, B900, B20	66
CTM	SBS 900	19
Data General	CS10/20/30/40	20
	CS50/60/70	60
DEC	D 300	36
	D 700/800	160
Ericsson	D15, Series 16	82
IBM	System 23	20
	System 32/34	80
Kienzle	1900, 2000, 2100, 2200	13
	9000	61
Logabax	2000, 3000, 4000, 5000	28
MAI	Basic Four System 80, 210	36
	510, 610, 710, 730	75
NCR	8100, 8200, 9020	43
	8400, 9040, 9050	94
Nixdorf	8870	56
Olivetti	BCS 2005; 2025, 2030, 3030	15
Philips	P400, P450, P4000	52
Sperry Univac	BC7	47
	System 80	127
Systime	500, 700, 1000	15
	5000, 6400, 6700, 8000	60
Triumph-Adler	1100, TA 20SE/compact	16
	TA 20 NP, 1600	
Wang	2200 (MVP, SVP, LVP)	31
	VS (50, 80, 100)	169

Source: International Data Corporation.



Kalamazoo's new micro and manual business efficiency package, specially designed for the construction industry, uses Kalamazoo's own range of small business micros—the K1000, K1500 and K1600.

Memory facilities are important for small business systems

Geoffrey Charlish looks at the advances being made in various memory devices

Rapid advances in storage technology

STORAGE of data in a small business system falls into two broad categories. One, the main memory, is entirely integrated within the electronics of the computer itself. It is implemented in solid state chip form on printed circuit boards and apart from the initial purchase and, usually, the prospect of expansion, the user is not greatly aware of it.

The other is bulk storage, in which the users business data files are kept together with any systems software not in use. Here, access time does not have to be in the billionths of a second region of the main store (necessary to manipulate data on line) and vastly larger amount of data are accessed rather more slowly.

Main memory is essentially "random access" (RAM) allowing data to be written, read and erased for manipulation by logic circuits in an applications program.

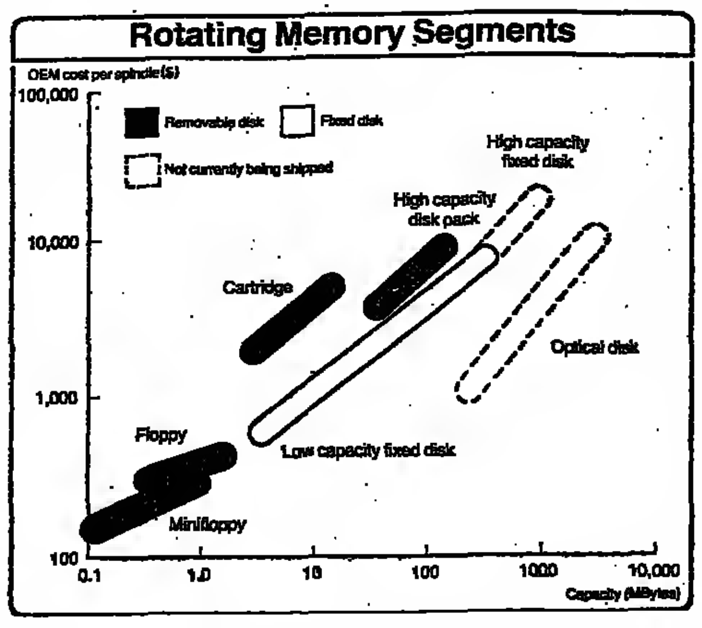
The more memory, the more powerful (and more expensive) the machine. Sizes vary from about 50,000 bytes (50 kB) to about 500 kB. "Byte" is computer jargon for "character," so that the larger memories can contain several hundred pages of text in, say, a word processing system.

Main memory often also includes read-only memory (ROM), in smaller amounts. The contents of ROM cannot as a rule be changed and it is used to hold "housekeeping" software for quick and easy access.

The principal trend of main memory is the constant improvement of cost/byte due to semiconductor technical advances in which more and more storage cells are crammed into less and less area. Power consumption tends to go down in parallel, so that the computers become less expensive to run. This very large scale integration (VLSI) will soon produce 128K RAMs following the recent advance to 64k.

Of rather more practical interest to the computer-user are the bulk storage options. Over two decades or so very large sums have been spent on developing disc stores, small tape cassette and cartridge devices, magnetic cards and bubble memories. On the horizon are some highly sophisticated devices employing the laser.

Just as the pick-up arm of a domestic record player can be placed to play any music band, so the read/write head of a disc store can locate any of 100 or so concentric tracks magnetically recorded on the flat metal oxide surface. There can be several thousand bytes on each track.



In larger computer systems, fixed-head discs are often used. These have an array of read/write heads arranged along a radius of the disc with one head for each track.

Moving-head

But for small business systems, attention has focused on the moving head type. Recording heads are expensive and the use of only one, on a fast moving solenoid-actuated radial arm, keeps the cost down. Also, because there are no spaced heads, more data can be put on the disc. But access is about five times longer than for the fixed-head type. Moving-head types can have fixed discs, removable discs, or a combination of the two.

The small desk-top machine and word processor encouraged engineers to look for disc store designs that would be a better price match for those increasingly inexpensive computers. The answer came from IBM in the early 1970s and was the so-called "floppy disc." Many other companies have since embarked on manufacture.

"Floppy disc" is a rare, plain English description not often found in computing: the device is a 7 in diameter flexible disc with oxide coating, housed in an 8 in square envelope from which it is never removed. The disc rotates inside the envelope, which has a slot cut in it for the head to search radially.

These remarkable mechanics were regarded with suspicion at first, but have proved to be quite robust, with drive lives of five years. Access time of floppies is about half a second and some 0.25 megabytes (millions of bytes) can be stored on one side.

Mini-floppies, with discs only 5 in across have also appeared offering about half the capacity. They have proved to be extremely suitable for the microcomputer and have allowed systems to be sold with a performance that would have needed a minicomputer a few years ago.

According to George Sollman of Shugart, a leading disc company, current media development will lead to a 5 in drive within a year or two that will hold five megabytes.

Attracting the most attention in recent times however, has been the Winchester disc drive (Winchester was an IBM development code name which has stuck). The IBM researchers saw that if the spacing of bead from disc could be made very small—implying an extremely true-running platter — then much smaller magnetic areas could be recorded and sensed and more data stored.

In Winchester technology the bead is positioned only 20 millionths of an inch or so above the surface, making any specks of dust in the gap fatal. So the disc is not removeable and the whole mechanism is housed in a sealed enclosure.

Several of the computer companies and many "independents" offer Winchesters. A typical offering, from Shugart, is an 8 in version which offers 34 megabytes on three platters.

A further development has been the miniature Winchester or "mini-winni." An example of a recent introduction, from Rotating Memory Systems, is a drive that can have from one to four discs of about 5 in diameter, yielding up to 18 megabytes.

IBM in particular offers magnetic cards, a column and row magnetic recording system used in their small business systems.

However, the ultimate in magnetic recording was to have been the bubble memory, launched in 1978 and consisting of a large number of extremely small magnetisable areas on a "chip." Access is row-sequential rather than random, but the worst access time is about one second. With no moving parts or worries about contamination, the idea seemed attractive for robust bulk storage. But costs have removed all but Intel and Motorola in the U.S. from the scene, although several Japanese companies are said to be waiting in the wings.

The other major magnetic system, tape, is applied in small systems in the form of the Philips standard and micro-cassette drives and cartridges from 3M and others. They are less expensive than disc, but access is rather slow at 10 seconds or so.

A recent innovation is the "streamer" tape drive, used as a back-up for Winchesters. Because a duplicate disc cannot be put into a Winchester (it is not removeable) in the event of data loss, the information must be held in some other form. The streamer does this cheaply, consisting of a continuously running, non-capstan drive. Some 61 megabytes can be held on a recently announced Thorn-EMI unit, and a drive from Pertec called Starstreamer holds 92 megabytes at 3200 characters per inch.

Just around the corner is the optical disc, in which a laser makes minute impressions on a special surface.

Sony Philips, JVC and RCA have all made announcements and shown prototypes in this area, with the main emphasis on the consumer market, audio or visual. They use digital or near-digital recording and in theory lend themselves to computer data recording.

Approaching the market from the computer industry end are Shugart, and Drexler in the U.S., both of which have made disc announcements in the last few weeks.

Laser-card

Drexler, using the "micro-hole" system already employed in its laser-card, has developed a disc that can hold 1.25 gigabytes (billions of bytes) on one side. This is the equivalent of 50 14-in two-sided magnetic disc platters. Drexler plans a $7.8m plant to make the discs by the end of this year.

Shugart in Sunnyvale, California, is developing a semiconductor laser-based system that raises blisters rather than burning holes, and speaks of 5 gigabytes per surface. It hopes to have samples ready by the end of next year.

The exact future for such devices in small business systems has to remain indistinct for the time being. They are "read-only" devices: once recorded, the data cannot be altered or erased.

But this may not matter. Such a colossal amount of capacity exists on the disc that it will probably be possible to ignore the previous data and simply record and use the new.

FORTHCOMING SURVEYS

DURING THE present Information Technology Year, a number of surveys in the Financial Times are highlighting developments in computers and office equipment.

● Among these surveys is Computing Services and Software, due to be published in August.

Computing services, data processing, software, consultancy, recruitment and training continue to grow at more than 20 per cent a year, worldwide, despite the recession.

The survey will reflect the changes in the industry and identify the principal trends in its development.

Other articles will examine the pressures on computer bureaux, traditionally the backbone of the computing services industry. Writers will also report on the moves within the services industry towards self-regulation and its attitude to competition from outside.

Other articles will examine the trend towards packaged software; the demand for computer analysts and programmers; and the financial options available to computer users.

● Other FT surveys this year on the office environment will include Office Planning and Furnishing (in October), and Videotex Systems (in December).

● The impact of computer technology on industry will be examined in a survey next month on Manufacturing Automation; as industry is on the verge of a massive increase in productivity through the combination of computer-based technologies and robotics.

Articles in the survey will look at developments in numerically-controlled and computer numerically-controlled systems; computer-aided design; flexible manufacturing systems and case studies in automated factories.

Glyn Genin

Users of small business systems need "a complete package," says Mr John Elsden, managing director of ABS Computers, seen above at his Portslade, Sussex, plant

PROFILE: ALLIED BUSINESS SYSTEMS

ABS shows signs of fulfilling its early promise

ALLIED Business Systems (ABS Computers as it likes to be known these days) is one of a clutch of UK minicomputer companies set up at the beginning of the past decade.

They all had a rough ride through the market place in their early days but those that survived are beginning to get their reward. Systime, the Leeds-based Digital Equipment (DEC) oem, is the best example. Now ABS is showing signs of fulfilling its early promise.

ABS was set up by Mr John Peers, one of the computer industry's most colourful characters. Reckoned by many to be an entrepreneurial genius ahead of his time, Mr Peers spun off a number of innovative companies none of which brought the instant success that DEC, for example, found.

Nevertheless, John Peers understood clearly the importance of installing small business systems in which hardware and software were combined in one turnkey package. ABS was set up to promote that philosophy.

There were early decisions from which the company has still not fully recovered. Mr Peers decided to build his machines around a computer architecture designed by a U.S. company, General Research Industries (GRI), now no longer in existence.

There was nothing much wrong with the architecture. After all, ABS's current high performance MX series still use the GRI concept; but it has none of the instant market appeal of a DEC or Data General offering.

As Mr John Elsden, ABS managing director, puts it: "If I had my time over again, I would have gone with DEC or Data General rather than GRI —it would have made the early days so much easier."

Now ABS is a very small fish in a very large pool. According to the consultancy IDC Europa, IBM held 28 per cent by value of the small business systems market in the UK by value in 1981 with Burroughs in second place with 10 per cent. Systime, Olivetti, DEC, NCR, Nixdorf and Kienzle all have a smaller share. ABS is somewhere among the 100 or so other companies which provide systems to the UK market.

What makes ABS of special interest is the fact that it is owned and supported by the mighty Trafalgar House group of companies and is, in fact, Trafalgar's only direct interest in computer marketing.

ABS turnover is somewhere under 1 per cent of that of its parent and its contribution to Trafalgar House's profitability in proportionately small. But Trafalgar House seems prepared to back its tiny subsidiary as it struggles for success in what is, for it, strange and unfamiliar territory.

Mr David Taylor, Trafalgar House finance director, is chairman of ABS and has been associated with the company since it became part of the group.

He says: "It was small and an odd fit in the group; it needed time to grow and time to establish itself in the group."

Trafalgar House became involved in the first place because it had provided John Peers with desperately needed working capital in the early days. In 1974, Trafalgar acquired the entire company and reconstruction began.

When John Elsden was appointed managing director in 1979, the ground had already been prepared for substantial growth.

Mr Elsden is himself something of a phenomenon in the industry. Only 30 years old now, he was the youngest managing director in the Trafalgar Group when he took up his post.

His rise in the company was meteoric. Joining as a programmer at the age of 20, he was software research and development manager within three years and technical manager within six.

Ability

Outgoing, instantly likeable Mr Elsden is a powerful combination of businessman and nuts-and-bolts technologist. In minicomputer companies, that is often essential. The microcomputer companies are already following the example of the first wave of minicomputer manufacturers, set up and run by technologists with little idea of financial needs.

That led to a heavy sprinkling of closures and reorganisations in the middle to late 1970s.

Mr Elsden has no such problems. His technical ability is of a standard to enable him to have created ABS's own computer language SIMPLE. His business ability leads to creativity of a different order.

"Stock is the major problem for minicomputer manufacturers. I keep a rigid grip on everything that is bought and everything that is sold. When I took over I bought 10,000 8K static RAMs (an important form of memory chip in computer systems). Within 12 months, market shortages had forced the price up to 16 times the original price."

What Mr Elsdon believes—and his view has the blessing of Trafalgar House via David Taylor—is that users of small business systems need a complete package. They need good, reliable hardware and effective software but they also need their hands held while the system is being run in.

Mr Taylor says: "We do not set out to be a flashy, gimmicky outfit. We want a reputation for well organised and professional service and we want every one of our sales to be a reference point."

The company is already beginning to draw in some prestigious orders. Late last year it was announced that the Post Office was setting up a new courier-type service based on ABS MX computers which provide the communications links between customers, despatcher and despatch riders.

And within the past few weeks it has become clear that ABS is one of the few companies which the Department of Industry has chosen to build prototype automated office systems. Only 12 companies—with Xerox, Systime and IBM among them—have put forward office schemes of sufficient quality to be accepted by the DoI.

These two projects have given ABS an immense boost in confidence. Mr Elsden and Mr Taylor feel their original strategy for improving the company's performance has been justified.

"When I took over," Mr Elsden said "we had 138 staff of whom only seven were salespeople. The company was dominated by technologists. We have roughly the same number of staff today but there are 40 people selling."

ABS is strong in a number of vertical markets—a sound approach for a small computer manufacturer. It is a major supplier of systems for magistrates' courts, for example. PAMS, its police and magistrates' courts system, costs about £100,000 and is used by 12 separate authorities.

The company is hoping for great things from its Works Information and Management System, WIMS, designed to provide maintenance and work departments with a shop floor level system.

Profitability

It is looking for a niche in production control with Manumark, a suite of programs intended for stock and production control.

ABS owns the manufacturing rights for its GRI-derived computers (a move which Mr Elsden believes to be among the most important he has made); the operating systems for its computers are now sound and mature; and although its figures are swallowed up somewhere in the £1bn or so that Trafalgar House turns over each year, David Taylor's statement, that ABS revenues are growing steadily and that there is a significant improvement in its profitability, is not just proprietorial pride.

"We are looking for confidence-led investment," he said. "That means getting the confidence of the group so that it will allocate the appropriate amounts of investment capital. There was no way we could simply have stood aside and done nothing about ABS and we could see the possibilities. You simply cannot dabble in this market. You are either in or you are out."

ABS is still in a market where a whole raft of companies have had to get out. That is one of its strengths. The continuing confidence of Trafalgar House is the other.

Alan Cane

THE VERSAILLES SUMMIT

Everyone has their way

By Reginald Dale in Paris

The leaders of France and the U.S.—mutual concessions at Versailles

"PRUDENCE" AND "process." These are the two latest catch words to make their entry into the murky vocabulary of international negotiations following the weekend's Versailles summit.

In their final communiqué, the seven leaders of the West's largest industrial nations officially pledged urgently to pursue "prudent" monetary policies and a "prudent and diversified" economic approach to the Eastern bloc, and said they would take into account the need for "commercial prudence" in limiting export credits to the Soviet Union and its allies.

If they had tried to agree on what "prudence" actually means in the practical terms of exchange rates or the future volume of credits to the East, they would be condemned to banquets in the Hall of Mirrors for the foreseeable future.

"Commercial prudence" turned out to be one of the stars of the summit. It was one of the most important ingredients in the concoction of an inevitably rather vague agreement on export credits, which emerged as the make-or-break issue as the Versailles talks threatened to reach an argumentative showdown. Disagreement on the issue between President Ronald Reagan and President François Mitterrand of France turned the closing hours of the summit into what the Americans described as a "cliff-hanger."

In accepting the key phrase "including also the need for commercial prudence in limiting export credits," M Mitterrand went rather further than he had originally intended. France had opposed any reference to limits—there subsequently developed a rather fruitless argument about whether the word meant the same in English as in French (the majority view was that it did)—and had wanted to keep its hand free to grant government-subsidised export credits to the East.

It was typical of the Versailles talks that the final outcome on credits allowed everyone to claim that they had had things their own way. M Mitterrand immediately declared that it was up to each government to decide what was commercially prudent, and both French and German officials said that there was nothing in the agreement to stop credits rising as European governments thought fit.

The Americans, for their part, claimed a major victory. For the first time, they said, all the leading Western countries had agreed that economic, commercial and financial pressure should be applied to the Soviet Union, alongside political and diplomatic pressure.

A hard-pressed Mr Donald Regan, the U.S. Treasury Secretary, had a tiresome time answering questions on whether "limiting" credits could also involve allowing them to increase. He did not want to admit that it might, but had trouble with the deliberate ambiguity that is usually built into such phraseology to make it acceptable to everyone at the negotiating table.

U.S. officials, while admitting that the wording was not quite as tough as it might have been, claimed to be satisfied with the agreement that each country's performance should be monitored every six months in the OECD, and with the implication that governments should increasingly move towards commercial rates. One of Washington's preoccupations has been that as private banks have run down their lending to the East bloc, governments have stepped in with subsidised credits on loans that the banks no longer regard as commercially justifiable.

To get an agreement he felt he could live with, Mr Reagan had to pull out all the stops. Without saying so in so many words, he implicitly threatened to torpedo any consensus on a new move ahead in the North-South dialogue between industrial and developing countries if he did not get satisfaction on the East-West issue.

However, a fairly clear package of mutual concessions — mainly between France and the U.S.—emerged at Versailles. France, under pressure as the host country to achieve a summit "success," budged on export credits. The U.S. made what the Europeans regarded as significant moves on exchange rate intervention to stabilise the dollar and on the North-South dialogue.

This is where the magic word "process" takes its place alongside "prudence." By agreeing to increase monetary co-operation, including a U.S.-inspired study of the effectiveness of intervention, Washington, in the European view, has got itself drawn into a "process" that will make it more difficult for it to resist pressure to intervene in the exchange market if the dollar climbs too high.

A similar "process" again in European eyes, could give the Europeans a greater say in the dollar's exchange rate and U.S. policy in general, following the summit's agreement to co-operate more closely on the convergence of ... economic policies. France, Germany and Italy made it clear that they regarded the U.S. as having virtually become an honorary member of the European Monetary System.

Needless to say, Mr Regan disagrees. The U.S. did not put its name to that particular part of the summit's "statement of international monetary undertakings, and showed little inclination to change its policy of non-intervention except when market conditions become "disorderly"—in accordance with IMF rules. The Reagan Administration has only intervened once in the exchange markets—following last March's assassination attempt on the President—and Mr Regan made it clear that even if the Versailles agreement had been in force over the past 18 months it would not have done so more often.

Far from leading to greater intervention, the U.S. believes that the study agreed at Versailles will prove its point that intervention simply cannot work once a medium- or long-term trend in a currency has taken hold. Mr Reagan said that the U.S. would not intervene against either an upward or downward trend in the dollar—except of course, "in disorderly conditions." One of the hopes of the Europeans is that the study can be used to reach a clearer definition of what "disorderly" actually means—one, of course, that would oblige the U.S. to intervene more often.

The Americans, on the other hand, still believe that the way to fulfil the Versailles commitment to greater exchange rate stability is through the parallel commitment to economic convergence. The idea here is to extend existing annual bilateral surveillance of industrial countries' economies by putting it on a multi-lateral footing. Each country would have a greater opportunity to comment on the likely impact of another's medium-term economic policies — although any recommendations would not be binding.

As in the case of credits and intervention, it is far from clear that this is actually going to make much impact on the real world. The European Community has for years been trying to promote the convergence of member nations' economic policies under tighter institutional control than that envisaged for the Versailles summit, with less than devastating success.

The motives are laudable enough. Everyone would like to see lower inflation, higher growth and more jobs, as called for at Versailles. But Mr Reagan's view of the best way of setting about it is never going to be the same as that of M Mitterrand.

Two major causes of transatlantic strife were notably absent from the headlines at Versailles—which in any case tended to be dominated by the Falklands and the Middle East. They were the once predicted major European assault on high U.S. interest rates and Washington's objections to the natural gas pipeline from Siberia, which it sees as making Western Europe dangerously dependent on the Soviet Union as an energy supplier.

Herr Helmut Schmidt, the West German Chancellor, did indeed raise the interest rates issue and there was a mild reference in the communiqué to rates in general being "unacceptably high." But Herr Schmidt said that he was not necessarily pointing the finger at the U.S., and M Mitterrand did not return to the charge in the way that he did at the last world economic summit in Ottawa last July.

At that meeting he warned Mr Reagan that Europe would have something pretty tough to say about U.S. interest rates if they were not well down by the end of 1981.

U.S. officials said that no deals had been made on the pipeline, and that Mr Reagan has still to make up his mind about whether to try to prevent U.S. subsidiaries and licensees in Europe participating in its construction. He will do so after he gets back to Washington from Europe at the end of this week.

The Americans were pleased with the communiqué's renewed commitment to free trade and said that they had been impressed by the dedication of all present to making a success of the GATT ministerial meeting to be held in Geneva in November.

For their part, the Europeans expressed satisfaction at what they regarded as a major U.S. concession on the North-South dialogue, in which Washington accepted that the latest position of the developing countries—calling for the opening of a broad round of "global negotiations" in the United Nations—could be a basis for further consultations. In return, the Americans secured a public commitment that the independence of existing international institutions would be respected—and a private one that the Europeans and Canadians would not gang up with the developing countries against Washington.

The seven nations have made commitments that sound praiseworthy, but in language that still conceals major differences. Most participants regarded it as just another step along an already well-worn road. Prudence may be a virtue but after Versailles the process of putting it into practice still remains to come.

Lombard

The obstacles to corporate bonds

By Max Wilkinson

THE TREASURY has been giving a lot of earnest thought recently to the question of how to patch up a relationship between those two pillars of capitalist society, the company treasurer and the ordinary saver. Efforts to bring them together again in a revived corporate bond market have gained momentum for two reasons: first, there is a theory among officials that when interest rates fall to around 12 per cent companies might once again be prepared to issue fixed interest stock to the public; secondly, this is seen as one of the few painless ways in which excess monetary growth now would be mopped up.

However, there is a fundamental dilemma about how the investors' return on a commercial bond should be treated by the taxman. This difficulty arises directly out of the last Budget which for the first time offered ordinary savers the chance of an inflation-proofed investment in indexed gilts. This offers the investor complete protection, since government stocks are in any case exempt from capital gains tax. Private sector investments were in theory given the same privilege by the decision to exempt inflationary gains from capital tax. This has increased the appeal of equity investment, but is not as even handed as it appeared, since it leaves the indexed gilt with a clear advantage over private sector bonds, as opposed to equities.

The reason is that high inflation rates have created a deep and muddy confusion between the once distinct concepts of capital and interest. A large part of the payments normally called "interest" are in a real sense repayments of capital. Out of a 14 per cent interest coupon perhaps 10 per cent is being paid as compensation to the investor for the fact that his capital is being eroded by inflation. This erosion represents, in effect, a transfer to the borrower, because inflation reduces his debt at the same time as reducing the savers' real asset. This effect is counter balanced by inflated interest rates.

But under the present rules the adjustment to capital values concealed in the interest rate suffers the full penalty of income tax and investment income surcharges.

One answer to this long-standing injustice would be to design a corporate bond which would compete with the indexed gilt, by taking full advantage of the new inflation-proofing of capital gains tax. A low coupon bond with an interest rate of, say three per cent, might be offered at half its par value. Most of the investor's return would come from the 100 per cent "capital gain" when the bond was redeemed. This gain would not be taxed except to the extent that it exceeded inflation for the period.

Unfortunately, the Inland Revenue does not appear to see it this way. It says that under its special powers it could—and probably would—treat the gain as income and tax it accordingly. Since no bond of this sort has been issued in the UK there is still uncertainty about this position. However, the Inland Revenue is extremely worried about the possibility of a bonanza of tax avoidance if people were able to switch income, and perhaps even salaries, into capital gains, through cleverly designed bonds.

But even if the gain were allowed to be treated by the investor as capital, as it should be on any conventional view, there is a further catch. The authorities insist on the principle of "symmetry" which says that if a payment is capital in the hands of the investor it must be treated as a capital transfer also by the company. Consequently companies could not offset the payment against corporation tax as is possible with an interest payment. No such bonds would be issued.

Thus, for powerful reasons, the Inland Revenue seems likely to block any private sector scheme which would allow the ordinary saver to protect his capital from being squeezed between the pincers of inflation and income tax. It is plainly unsatisfactory that the tax position should remain uncertain.

If inflation were really stabilised at a low level, then the corporate bond market could revive spontaneously. Otherwise there probably are adjustments to the tax system which could give the market a worthwhile help, even if they do not solve fundamentally the problem of inflation-proofing in the private sector.

Letters to the Editor

The tyranny of the common agricultural policy

From Mr W. Jones

Sir, — John Cherrington (May 21) referred to the "tyranny of distance which puts New Zealand on the rack." This is indeed an interesting point of view, particularly so at a time when the UK has been able to mount naval and military operations 8,000 miles away from base. We appear to have overcome successfully the tyranny of distance in the case of the Falklands. I hope that we may be no less successful in overcoming the tyranny of distance in the case of New Zealand foodstuffs.

The real problem is not the tyranny of distance but the tyranny of the common agricultural policy. If it were not for the limitations imposed by the EEC upon the importation of foodstuffs, New Zealand would have little to fear from the distance involved. New Zealand is faced with a situation in which Britain, as a result of joining the EEC, has lost the right to import foodstuffs from other territories without the imposition of import duties or other restraints. One could have understood it more easily had this been a penalty imposed upon us by a victorious enemy determined to bankrupt the UK.

We have very powerful interests which try to tell the consumers of the UK that there is no more cheap food available from overseas, and that for policy reasons we should not seek to buy it even if it were available. I do not think that anyone can predict the possible market for butter or for any other foodstuff in the UK in the years ahead. It is possible that changes of taste, increased (or reduced) prosperity, different medical opinions may affect the consumption of particular foodstuffs.

Butter is certainly a case in point. We are told that the consumption of butter has been reduced. This is hardly surprising when the operation of the common agricultural policy has had the intentional effect of increasing the price. Some people distrust market forces and consider that we are better served by giving unprecedented powers to the Ministers of Europe and to their executives at Brussels. I would prefer to take my chance with market forces which, over the years, have proved much more beneficial to the people of the UK than any of the many forms of regulation from which we have from time to time suffered.

In a previous article (December 18 1981) Mr Cherrington pointed out that "farmers' returns have at the moment overriding support from the common agricultural policy which effectively keeps out imports from the outside world by means of levies and outright prohibitions." I suggest that this is the real tyranny facing both New Zealand and consumers in Britain, and not 12,000 miles.

We must also be grateful to Mr Anthony Rosen (May 29) for giving the consumers of this country a real insight into the thinking which supports the built in restrictions of the common agricultural policy. He wants British tax payers to pay New Zealand to pour milk down disused coal mines.

When the history of our times is written I wonder what will be said of the politicians and statesmen of the United Kingdom and of the EEC countries who, as a matter of deliberate policy, ensured that the consumers of Britain and Europe were forced to pay high prices for their daily food. This, after all, is the object and intention of the common agricultural policy, and the result has been a reduced standard of living for consumers throughout the EEC.

W. A. Newton Jones.
c/o W. H. Jones and Co.
(London),
Whetstone, N20.

The Wembley factor

From the Leader,
Hillingdon Borough Council.

Sir,—I read with amusement (June 3) Mr Paul Tyler's extraordinary analysis of the Beaconsfield by-election. I did observe the campaign at close range. My observations on the evening of polling day enable me to identify the cause of what he refers to as "the remarkable level of abstention." It was "the Wembley factor." For some unaccountable reason many voters—preponderantly male—were glued to their television sets between 7.30 pm and 9.30 pm, the hours when polling is traditionally at its heaviest. I was unable to dissuade them from watching a football match whose result was unpredictable in order to vote in an election whose result was entirely predictable.

John Watts.
Civic Centre,
Uxbridge, Middlesex.

A stock of skills

From the Chief Education Officer, City of Sheffield

Sir—Hampshire's chief executive's local solution (May 22) to local education and training issues are fine, in their local context. One could have no difference with him so far as he goes. But it is perhaps comparatively easy for him to believe that his prescription is adequate for Hants, which is bowered in that London and south coast area identified by a recent survey as providing 50 per cent of all computing jobs in the UK. It is a good deal less easy to see the absolute truth of the local solution and nothing but the local solution in places like mine where the employment tide of the old industrial revolution is ebbing.

A more complete view of the country's need for qualified manpower would say that the UK economy is going, rather too rapidly for comfort, through a process of profound change: that perceptive forward economic analysis and intelligence is urgently required for the country as a whole: and that the business of developing the stock of skills necessary to meet the demand of new technologies and of new economic management—and so to bring regeneration in a more competent national system of production and trade—is far too important to be left simply to the chancy aggregate performance of 121 local education authorities in Great Britain.

Michael Harrison,
PO Box 67,
Leopold Street, Sheffield.

Not so blinkered engineers

From the Secretary, Institution of Mechanical Engineers.

Sir,—Christian Tyler's very readable feature, "The blinkered engineer" (May 27), skilfully encapsulates the thinking that two years ago led us in the institution to establish a management division to extend as widely as possible the managerial competence of chartered mechanical engineers. Our aim thus matches the theme of the feature which is to improve the engineers' knowledge of those managerial skills required to make a full contribution to the corporate objectives of their organisations.

Our researches suggest that our engineers have every incentive to do just that, because, given appropriate management training and experience, the engineer, of all the professions, is best equipped to cope with the immense technological changes required to enable industry to compete, survive and prosper in a changed and much more demanding economy.

Our efforts are therefore being concentrated upon the post-graduate training required to achieve that aim. Needless to say, however, we cannot succeed in isolation but must rely on the active support of educationalists, employers and, indeed, the media if we are to improve significantly the status of engineers and the standard of engineering management in industry.

Alex M. McKay,
1 Birdcage Walk, SW1.

Distributing welfare funds

From Mr D. Lindsay

Sir,—While I certainly agree with Frank Field (May 20) that the tax system requires root and branch reform to remove its bias against those supporting children, and to eliminate other anomalies, I cannot accept that, once so pruned, it should play any part in the welfare system. Indeed, almost by definition, those in need of welfare should not be paying tax, and vice versa. The purpose of taxation is simply to provide the funds required by the state (which include, of course, those needed for welfare), and it should do this by levying taxes according to ability to pay, such ability being a function of income and of personal and family basic need. It is not the place of the tax system to provide benefits; simply to be fair.

The principal reforms needed to bring the tax system into line with these objectives are abolition of mortgage interest relief, disallowance of the non-parental covenant for children, re-introduction of child tax allowances, abolition of married man's allowance, abolition of aggregation of spouse's incomes (and capital gains), partnership status for the "home-running" spouse in relation to family income, abolition of investment income surcharge, and the exclusion of investment income (as it does not cease on death) from the calculation of maximum life assurance relief.

As for the welfare system, I am happy to leave proposals for its reform to Mr Field and his more responsible friends, asking them only not to tamper with the tax system and not to waste welfare funds by distributing them where there is not the need.

David G. Lindsay
36 Orchard Coombe,
Whitchurch Hill,
Reading, Berks.

UK COMPANY NEWS

Reed Intl. expands by £21.2m

DESPITE A sharp downturn by the newspaper division taxable profits of Reed International advanced by £21.2m to £71.6m for the 53 weeks to April 4 1982, with the final quarter contribution expanding from last time's £8.3m to £15.9m.

Full year stated earnings per £1 share came through well ahead at 47.3p (34.1p) and an increased final dividend of 10p (9p) raises the net total to 14p (13p).

The group's interests cover paper, paperboard, packaging, printing, publishing (Mirror Group Newspapers), wallcoverings and building products.

The directors say that although sales for the 53 weeks (up from £1.48bn to £1.7bn) increased by no more than the approximate rate of inflation which reflected difficult trading conditions, at the trading level profits increased from £55m to £82m with improved results in many sectors together with reduced losses in UK paper making and decorative products.

In addition, they point out that no significant losses were caused by industrial disputes, compared with an estimated loss of £12m reported in 1981 as a result of action taken by printers and journalists.

The pre-tax profit was struck after taking account of exceptional costs and provisions totalling £19.5m (£22.6m). UK rationalisation costs amounted to £20m of which £4m related to paper, £2m to packaging, £8m to decorative products and £6m to printing offset by a net gain of £1m from the disposal of subsidiaries and associated companies.

The profit was also after higher interest charges of £12.5m, compared with £7.7m but included a share of profit of associates of £2.5m (£3.1m).

Tax paid rose from £11.3m to £17.6m, with the UK share moving up from £1m to £6.1m, after which the net balance emerged £14.9m ahead at £54m.

At the attributable level profits were £54.1m (£22.9m) after minorities and an extraordinary debit last time of £15.4m.

A divisional breakdown of sales and trading profits for the 53 weeks shows: paper, UK £289m (£261m) and loss £0.9m (£15.1m loss), overseas £160m (£125m) and £23.3m (£17.5m); packaging £283m (£254m) and £20.1m (£20.7m); publishing £501m (£413m) and £30.9m (£25.9m); newspapers £254m (£230m) and £2.1m (£12.1m); decorative products £266m (£255m) and £0.3m (£14.1m loss); building products £133m (£124m) and £9m (£9.6m). Central costs, net of property sales amounted to £3.2m (£1.6m) and inter-company sales totalled £187m (£192m).

Paper-making in the UK recovered to a small profit before rationalisation costs. The Quebec Mill continued to perform well in a strong newsprint market, its results also gained from the weakness of sterling. Packaging operations in the UK and Holland maintained profits and market shares in highly competitive markets.

The group continued to expand its profitable publishing and related business both in the UK and U.S. Although advertising and circulation markets were weak, the combination of higher revenue with the absence of losses from industrial action in the UK resulted in increased profits despite the cost of providing for the redundancy programme at Odhams.

Newspaper had much reduced profits as a result of severely competitive market conditions and higher newsprint costs caused by the fall of sterling against the U.S. dollar.

In decorative products, Crown paints, Polyrell and the Canadian businesses had improved results. UK and U.S. wallcoverings and UK textiles lost £12m (£24m) after charging £8m (£11m) for rationalisation.

Building products again did well from UK home and export trade, but the Sphinx ceramic business in Holland suffered from the severe decline of the building industry in Europe.

Loan capital was increased in February by the issue of £25m Sterling Eurobonds and at year end amounted to £210m (£186m). Net cash deposits increased by £9m and net debt amounted to £158m (£161m), with £9m of the increase derived from exchange differences. Capital expenditure totalled £68m (£64m).

On a CCA basis pre-tax profits for the 53 weeks were £26.6m (£11.6m) and earnings per share 6.1p (0.6p loss).

See Lex

ICL cuts losses to £13.5m at midway

FOR THE six months ended March 31 1982 ICL, computer manufacturer, has cut its pre-tax losses to £13.5m, compared with £33.9m last time, indicating that significant progress has been made in restoring profitability as quickly as possible, the directors state.

The group's major manpower reduction programme was largely completed at the end of March. This, together with other rationalisation measures should enable the group to show a pre-tax profit, in the second half, in excess of the loss for the initial period, they say.

The directors also announce plans to bring the business of Computer Leasings (CLL) into the group. ICL holds 5 per cent of the shares and it intends to acquire, on June 30, the remaining 95 per cent from the financing participants at their par value of £2.8m.

ICL will also repay to the same, over the period to December 1983, cash advances to CLL of some £42m. "We will be able to finance this repayment obligation from cash flowing from the existing hire contracts with ICL customers."

The net effect of the acquisition, which will take place from July 1, on ICL's P and L account, based on current forecast of equipment returns by customers, will be to increase 1981-82 pre-tax profits by more than £2m, and in the range of £7m to £10m in a full year, but reducing as existing CLL equipment comes off hire.

First-half turnover of ICL edged ahead to £335m, against £318m, with some £7m of the increase due to currency movements. Deliveries and new orders improved in the UK, but there was an offsetting deterioration in certain overseas markets. The resultant modest improvement was in line with overall plans, the directors state.

They add, however, that despite the relatively low growth, trading loss, before interest, was reduced from £19.1m to £0.6m, mainly because of the lower cost base of the business, resulting from major rationalisation measures.

Total world-wide group borrowings, as at March 31 last, were £132m after deducting cash balances, but including £85.6m of export credits. At March 31 1981 and September 30 1981, the group's net borrowings were £189m and £164m respectively, but the former was before the conversion, last September, of £50m of bank borrowings into redeemable preference shares.

The directors state that borrowing levels were reduced by the rights issue last January, which raised a net £32m. The major rationalisation measures cost about £40m in cash during the 12 months to the end of March.

If net borrowings are adjusted for these three factors, the group generated a net cash inflow of £15m during the year to end March 1982, they state. "This achievement reverses the trend of the previous two years when the group suffered significant net cash outflows."

Although the present economic environment is less favourable than the group expected a year ago, particularly overseas, the directors say there were some indications of a stronger order position towards the end of the first half. "For the full year, both deliveries and order levels should be somewhat ahead of last year."

ICL sells equipment to CLL at prices comparable with sales direct to customers on the basis that customers will maintain their hire contracts in being for a specified time. ICL has an obligation to repurchase equipment should this be returned by the customer—ICL provides for this as a deferred liability, Leasing Repurchase Provision.

This is intended to cover the difference between the price payable to CLL on repurchase—at CLL's net book value—and the value to ICL based on original cost less ICL's imputed depreciation to the date of repurchase.

The value of the CLL assets to be acquired is estimated at £104m, based on the CLL valuation of equipment. On acquisition ICL will write these assets down to their original costs to ICL, less the group's imputed depreciation to the acquisition date. The related part of the Leasing Repurchase Provision held by ICL will therefore no longer be required.

In addition, CLL's estimated deferred tax liability of £57m, at June 30 next, will be available for credit to ICL's reserves since this liability should not materialise within the group in the foreseeable future.

The effect on ICL's reserves shows an improvement in net worth of £28m.

For the six months interest charges took £12.9m (£14.8m), and tax was £2.7m, against £2.2m.

Minority interest amounted to £0.2m compared with £0.1m, and the attributable loss came out at £16m, which was £34.6m less than the 1980-81 period, when there was an extraordinary debit of £14.6m.

Loss per share is given as 7.86p (21.29p).

See Lex

Good second half boosts Metal Box to £40.2m

SECOND half taxable profits of Metal Box, packaging containers and central heating equipment manufacturer, were better than expected at £21.5m, against £9.24m, and have boosted the figure for the whole of the March 31 1982 year to £40.2m, compared with a previous £29.1m. Sales moved ahead by £119m to £1.2bn.

Mr D. L. Allport, chairman and chief executive, says there was some improvement from the UK operations and a further significant advance from those overseas.

After tax of £18.2m (£14.2m) earnings per £1 share are shown well up at 16.3p, against 7.6p, and with a maintained final dividend of 6.51p net, the total for the year is increased from 10.71p to 11.55p.

A divisional analysis of sales and profits, before interest and tax, of £75.4m (£55.9m) shows: packaging—open top £260m (£275m) and £1.6m (£0.4m); general line £155.9m (£133.3m) and £10.6m (£5m); paper and plastics £119.8m (£127.4m) and £4m (£2.4m); engineering £39.1m (£38.8m) and £0.8m (£0.6m loss); overseas subsidiaries £513.4m (£400.1m) and £57.1m (£45.4m); associates £3.4m (£3.5m) profits; central heating—Stelrad £107m (£101.5m) and £2.1m (£1.2m loss).

Mr Allport says that in the UK the beverage can business still gave problems, because of acute over-capacity in the industry, but that "robust action" has been taken in this area; the group is in the course of closing four unprofitable two-piece can production lines at Westhoughton.

The modernisation of UK radiator production is nearing completion and the Monmouth factory is being closed. As a result, the chairman says, the central heating business—the group's other problem area—is showing signs of an improvement.

The general line side made "real progress," as to a lesser extent did the paper and plastics division. The engineering sector performed better, the chairman states, most of these improvements coming from increased productivity.

Funds generated during the year were less than planned, and although the increase in borrowings was well within manageable limits, there was an increase of £45m over the year, Mr Allport states.

The company will continue to invest where this is deemed essential, "but in the current year absolute priority is being given to cash generation and conservation."

He adds that paramount importance is attached to improving profitability of the company's UK business, building on the energetic steps which have been taken to contain costs and improve productivity.

Towards the end of the current year, some improvement in demand and price for the packaging business in UK should take place, Mr Allport says.

However, plans for this year are not based on the assumption of "anything more than a very modest increase in level of sales in this country."

He adds that the uncertainties of the present are still such that it would not be prudent at this stage to be specific as to the scale of the improvement.

Associate companies' share of profits for the year were little changed at £3.4m (£3.5m) but interest charges expanded by £8.4m to £35.2m.

Minority interest took £9.8m, against £9.1m, leaving profits of £12.4m (£5.8m); but there were extraordinary debits totalling £30.3m for the period, against a previous £21m.

Of these items some £14m was for redundancy payments, and the balance for write-down in respect of plant, equipment and inventory surplus to requirements on factory closures and other costs. The charge will only partially affect cash outflow, it is stated.

A revaluation of land and buildings during the year resulted in a £83.1m net surplus which has been credited to reserves and minority interests.

On a CCA basis pre-tax profits are reduced to £16.6m (£8.8m loss).

Mr Allport said later that after two years of effort on reducing operating costs and raising productivity in the UK, he felt with some confidence that the rationalisation process would be "much more gradual from now on."

Commenting on the fact that the cash position had been adversely affected he said the group was giving "high priority this year to rectifying this situation." He added that a rights issue was not on the immediate horizon.

See Lex

P. Brotherhood £2.1m loss: dividend held

AFTER ALLOWING for redundancy payments of £1.24m Peter Brotherhood ended the year to March 31 1982 well in the red, the pre-tax figure emerging at £2.14m, compared with a surplus the previous year of £297,000.

However, a same-again final dividend of 2p maintains the net total at 3p per 50p share.

The group had already fallen £393,000 into loss at mid-year after charging exceptional items of £84,000. The directors at that time anticipated increased sales and a profit in the second six months and expected the recovery to continue into 1982-83.

Full-year turnover of the group, a manufacturer of machinery and power plant, declined from £16.69m to £13.15m—the second-half figure being £6.7m (£7.6m). Operating loss for the year was £332,000 (£652,000 profit), after interest receivable of £237,000 (£87,000).

Commenting on the results they point out that failure of a European shipyard resulted in delayed delivery of a major waste heat recovery turbine and political difficulties in Poland meant that completion of one of the group's largest contracts was held back for several months. Both of these problems have been resolved since year-end.

As well as the redundancy payments the taxable deficit was also after taking account of interest charges of £327,000 (£317,000) and an increase in forward contract provision of £244,000 (£63,000). Tax took £20,000 (£66,000 credit).

The directors say that it is necessary to reduce the group workforce by 200. Operating cost savings will be in the region of £1.5m a year. The net cost of this redundancy programme will be £850,000. Provision for this was included in the results for the year under review.

To ensure that the maximum benefit is obtained from the reductions, the group is being reorganised into separate divisions, each responsible for a product serving a defined market sector. Each division will return capability to meet existing and anticipated contractural requirements and will be able to respond quickly to any upturn in demand.

The directors remain confident that the group is well placed to take advantage of any improvement in world economy.

● **comment**

At the interim stage the Peter Brotherhood share price was 150p and the company was "confident" that the second half would show a profit. Redundancy costs of £1.15m apart, the second half showed a trading loss of £389,000 and yesterday the share price fell 5p to a 1981-82 low of 100p. Not so long ago Peter Brotherhood's change of marketing strategy towards high technology energy conserving products had endeared it to the market, and the dash for growth based on boosting turnover seemed to herald sharply rising profits. Turnover in the year to March 1982 in fact fell by 21 per cent. Market share has been increased, but the market has ben shrinking, so that Brotherhood has had to sell at 1979 prices against a backdrop of 1982 costs. Brotherhood now concedes that "we almost got away with the dash for growth." But the gamble has not paid off, and plain old-fashioned cost-cutting is now the order of the day. Peter Brotherhood insists that engineering capability will not be impaired, and the dividend is being maintained, but a profitable 1982 is not yet being predicted.

Laird Group ahead so far

Profits of Laird Group for the first four months of the current year were ahead of last time, Sir Ian Morrow, chairman, told shareholders at the annual meeting. And the group faced the future with confidence, on the basis that it was in a sound position to develop its business further, he said.

Almost £100m export sales had been won so far, dominated by orders for trains and conveyors. Elsewhere in the group, however, demand had fallen back, particularly in components for aero-engines and in buses.

In the U.S. trading conditions were extremely bard and were expected to remain so during tha year.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$325	52	12	5	34.50 B	—	—	$325.50
GOLD C	$350	96	10	10	22 A	9	32	"
GOLD C	$375	5	3	—	—	—	—	"
GOLD C	$300	—	—	—	—	15	16	"
GOLD P	$325	7	15	—	—	—	—	"
GOLD P	$350	5	32	7	35	—	—	"
GOLD P	$375	10	53	5	53 A	—	—	"
12¾ NL 61 87-91								
C	F.110	100	0.70	—	—	—	—	F.112.70
P	F.112.50	100	1.70	—	—	—	—	"
10¾ NL 60 85-95								
C	F.102.50	—	—	4	1.10	—	—	F.101.70
11½ NL 82 86-92								
C	F.102.50	5	1.60	—	—	—	—	F.103.70
C	F.105	10	0.50	—	—	—	—	"
P	F.105	50	3.20	—	—	—	—	"
10 NL 63 86-89								
C	F.100	—	—	4	1	—	—	F.98.80
		July		Oct.		Jan.		
AKZO C	F.25	—	—	13	1.30	—	—	F.24
AKZO C	F.27.50	—	—	12	0.50	—	—	"
AKZO P	F.25	100	1.30	5	1.50 B	—	—	"
AKZO P	F.27.50	7	3.50B	10	3.60	—	—	"
AKZO P	F.30	—	—	6	6	—	—	"
HEIN C	F.55	48	5.20	3	6	—	—	F.60.20
HEIN P	F.50	—	—	10	0.80	—	—	"
HOOG C	F.15	—	—	30	1.40	—	—	F.15
HOOG P	F.17.50	150	2.60	—	—	—	—	"
IBM C	$55	6	4¼	—	—	—	—	$58⅜
IBM P	$55	5	1¼	—	—	—	—	"
KLM C	F.80	15	11.20	—	—	—	—	F.88.80
KLM C	F.90	200	3.70	104	7.60	—	—	"
KLM C	F.100	49	1.10	7	4	18	6	"
KLM C	F.110	140	0.70	87	2.40 A	1	—	"
KLM C	F.120	15	0.20	12	1.10	10	2.50	"
KLM P	F.80	47	1.50	42	3.80	—	—	"
KLM P	F.90	104	4.60	27	5.50	—	—	"
KLM P	F.100	179	13	25	10.20	—	—	"
KLM P	F.110	8	21.50	—	—	—	—	"
NEDL C	F.120	—	—	1	5.60	1	—	F.114
NEDL C	F.130	—	—	13	2	—	—	"
NEDL C	F.140	7	0.10	5	—	—	—	"
NEDL P	F.110	15	1.10	50	3.20	—	—	"
NEDL P	F.160	10	7.20 B	25	7.50	—	—	"
PHIL C	F.22.50	—	—	50	1.70	—	—	F.22.80
PHIL C	F.25	215	0.60	50	0.70	21	1	"
PHIL C	F.27.50	—	—	40	0.50	—	—	"
PHIL P	F.20	20	0.10	—	—	—	—	"
PHIL P	F.22.50	—	—	5	0.90	23	1.20	"
PHIL P	F.25	77	2.80	1	3	35	3.40	"
RD C	F.70	—	—	5	11.50	—	—	F.80.50
RD C	F.80	50	11	—	—	—	—	"
RD C	F.90	600	4.60	57	4.60	23	5.50	"
RD C	F.100	40	0.50	38	1.60	23	2.50	"
RD P	F.80	—	—	9	1.50	—	—	"
RD P	F.90	266	6.30	177	4	—	—	"
UNIL C	F.130	—	—	16	4.20	—	—	F.145.40
UNIL C	F.150	—	—	10	1.70	10	2.70	"
UNIL P	F.140	20	1	25	2.50 A	—	—	"

TOTAL VOLUME IN CONTRACTS: 5571

A=Asked B=Bid C=Call P=Put

Dencora raises £1.22m and seeks USM quote

Dencora, an East Anglian industrial property development and investment group, is seeking a quotation on the Unlisted Securities Market, following a £1.22m placing. Stockbrokers Phillips & Drew are placing 2.1m ordinary 25p shares at 58p each, representing some 17 per cent of equity.

The placing prices values the company at £7.02m in which founders and joint managing directors Colin Holmes and Richard Youngs each retain an interest of about 37 per cent.

Mr John Laurence, a senior partner of chartered accountant Hayes Allan and chairman of the property company Estates and General Investments, was appointed non-executive chairman of the group in March.

The money raised will be used to fund new development work and reduce borrowings, which at May 24 last totalled £8.66m. This compares with net assets at the end of 1981 of £8.17m and a property portfolio valued at £16.09m, of which 81 per cent was industrial and warehouse property. Following the placing net assets are estimated to be 60.7p.

Mr Holes, 49, and Mr Youngs, 46, were two of the founders of Denrora Properties in 1970. This company's first major project was the development of 12 factories on a site in Beccles, Suffolk. Two years later Harvey and Leech, a local housebuilder was acquired.

Since then a portfolio of industrial and warehouse units in East Anglia has been built up with developments funded by bank loans, primarily from Chase Manhattan Bank. Sites are obtained chiefly from local authorities on a long leasehold or freehold basis and standard type units are constructed using sub-contract labour controlled by the company's own site foreman.

In addition to the property side the group has an ironmongers and builders' merchants business with a warehouse and two retail shops in Beccles. Up to two years ago this business was the major contributor to gross profit.

Over the last five years pre-tax profits have changed little: £233,000 in 1977 to £271,000 in 1981. But net rents received have grown from £149,000 to £888,000 before net interest costs and overheads, which last year amounted to £781,000 and £638,000 respectively.

At the placing price the historic p/e is given as 32.2p. The main aim is asset base growth as a result a high proportion of distributable profits will be retained and no dividend is likely to be paid for the foreseeable future, the company says. No profit forecast is given.

Dencora points out that many of the current rents are due for review in 1983 and the group has enough industrial land for planned developments over at least the next two years. These involve the development of about 100 more light industrial and warehouse units, increasing total space for letting by some 50 per cent.

● **comment**

Dencora stands out from many property developers and investors because of its direct involvement with construction. It has also established a good relationship with local authorities for securing valuable sites thus up front costs of a development are little more than the actual construction work. These factors, together with the use of standard units, has enabled it to keep building costs well below average and exposure risks low. East Anglia has not figured highly as a growth area in the past but improved road links are helping to change that. However, while rent reviews should take the group's income well over £1m next year, the high level of borrowing leaves the company's ability to expand very much at the mercy of interest rates until there is a significant strengthening in tha rental market.

Anderson Strathclyde hits target

TAXABLE PROFITS of mining equipment manufacturer Anderson Strathclyde advanced sharply from £6.33m to £11.16m for the year ended March 30, 1982 after redundancy and reorganisation costs of £499,000, against £840,000, and interest charges £927,000 lower at £123,000.

The 76 per cent rise in the pre-tax figure was in line with the estimate given by Sir Monty Finniston, the chairman, in a defence circular to shareholders in May backing his rejection of a £64m cash bid for the group made by Charter Consolidated.

The offer has since been blocked by a reference by the Department of Trade to the Monopolies and Mergers Commission.

Turnover for the year rose from £8.42m to £10m and at the trading level profits were £11.78m, compared with £8.22m. Tax took £3.08m (£1.6m) after which stated earnings per share were 17p (10.4p).

The total net dividend is also in line with forecast, rising by 50 per cent to 6p by a final of 4.9p.

The increase in turnover was achieved in spite of the internationally depressed economic situation. As expected, the rate of increase which was achieved in the first half, moderated slightly in the second six months.

The full year increase brought advantage of higher margins on the additional volume.

On a CCA basis trading profits were £5.79m (£2.38m).

Downturn at Gill and Duffus

PROFITABILITY at Gill & Duffus Group is running at a "materially lower level than has been the case for some years," chairman Mr David Pearson told the annual meeting.

Mr Pearson said it was too early to forecast 1982 profits. But he said later that his remarks on this year's profitability should not be compared with the exceptional losses in Hong Kong last year.

The chairman told the meeting that as previously intimated trading in virtually all the company's markets continued to be very quiet.

Because of the recession, the world is in an over-supply situation for most commodities, and this naturally reduced trading opportunities, he said.

N. Brown jumps 44%

ON A 5 per cent increase in turnover from £28.55m to £30.05m, taxable profits of N. Brown Investments jumped by 44 per cent from £2.13m to £3.07m, in the year to February 27 1982.

Earnings per 20p share of this direct mail order business are stated at 13.92p (13.26p), while the final dividend is being raised to 4p (3.5p) net making a higher total of 6p (4.5p).

Mr Davoud Alliance, chairman, says the group seems to have reached a profitability platform from which increases at the sort of rate—40 per cent to 50 per cent—enjoyed during the last three years must be considered difficult to maintain. Sales for the current year, however, are ahead of the first three months of last year and he is therefore hopeful of at least "respectable growth" again this year.

He says the rise of only 5 per cent in turnover is misleading because of the effects of a fire at the group's principal mail order warehouse last June. This caused damage to the premises and stock, resulting in severe disruption in service and loss of sales.

Insurance indemnity has been received for the damage but the directors are of the opinion that but for the fire, group turnover would have been £3.5m more than achieved, which would have represented an increase on the previous year of 18 per cent.

Tax took £1.32m (£466,000), leaving net profits of £1.74m (£1.64m), and after extraordinary credits of £119,000 (£87,000 debits) the attributable surplus emerged at £1.57m (£1.58m). At the half year stage the group was already ahead with pre-tax profits of £1.02m (£605,000).

Losses at Caffyns cut to £0.22m

Taxable losses of Caffyns, automobile agent and engineer, were reduced from £383,792 to £222,194 for the 12 months to March 31 1982 after deducting interest charges, depreciation and staff pension fund contributions totalling £1.85m, compared with £1.94m. The loss included a surplus on properties following rationalisation of £725,900, against £313,575.

Turnover rose from £56.71m to £63.27m and at the trading level profits came through at £905,234 (£1.24m). Tax took £101,443 (£103,243), and after extraordinary credits of £129,943 (£38,045) there was an attributable deficit of £193,694 (£448,990).

The total dividend is held at 4.5p net by a final of 2.3p (same).

Southend Stadium

Taxable profits of Southend Stadium declined from £147,100 to £121,835 for the 1981 year. Net receipts were also lower at £84,256, against £132,931.

The pre-tax surplus was after tote tax of £56,395 (£68,886), but included rents receivable of £88,212 (£82,446) and investment income of £5,762 (£609). Tax took £55,424 (72,733), leaving a net profit of £66,411 (£74,367).

The dividend for the year is being increased from 0.43p to 0.47p net per 5p share.

SPAIN

June 4	Price %	+ or —
Banco Bilbao	356	+2
Banco Central	344	+4
Banco Exterior	309	
Banco Hispano	316	
Banco Ind. Cat.	114	
Banco Santander	331	+2
Banco Urquijo	193	
Banco Vizcaya	368	
Banco Zaragoza	250	
Dragados	136	−2
Espanola Zinc	70	
Fecsa	66.2	+0.2
Gal. Preciados	34	+1
Hidrola	67	−0.2
Iberduero	51.5	
Petroleos	92	
Petroliber	99	
Sogefisa	10	
Telefonica	71	+0.5
Union Elect.	62.5	−0.2

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anderson Strathclyde	4.9	Aug. 6	2.9	6	4
P. Brotherhood	2	Oct. 1	2	3	3
N. Brown	4	—	3.5	6	4.5
Caffyns	2.3	July 23	2.3	4.5	4.5
Lon. Prudential	3.05	July 22	2.6	5.3	4.85
Metal Box	6.51	July 23	6.51	11.55	10.71
Reed International	10	Aug. 17	9	14	13
Southend Stadium	0.47	—	0.43	0.47	0.43

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

LADBROKE INDEX

Close 588-593 (+5)

THE TRING HALL USM INDEX

125.7 (+0.3)

Close of business 7/6/82

BASE DATE 10/11/80 100

Tel.: 01-638 1591

UK COMPANY NEWS

BIDS AND DEALS

Duport to liquidate subsidiary

By Ray Maughan

Duport, the metal forming, furniture and plastics group has decided to put its still subsidiary into liquidation in an effort to deflect the Government's "remorseless" pursuit of grant recovery. The grants—£2.2m in regional development grants and a further £1.3m from the Welsh Office—now add up to some £4m including accrued interest.

They were paid to assist Duport set up a major steels plant in Llanelli, South Wales, an investment which "after four months of running beautifully," as Mr John Russell, the chairman, said yesterday, forced the group into a financial crisis 18 months ago.

The group has resisted the Government's efforts in the belief that the Department of Industry acted unfairly in supporting the British Steel Corporation's aggressive pricing policies through a deep recession.

Although Duport has taken preliminary counsel's advice that its resistance is legally supportable, it is to appoint Mr Guy Baker of accountants Ernst and Whinney, as liquidator of the steel subsidiary. This would mean that the Government would rank only as a conditional creditor.

The liquidation itself should be very straightforward. British Steel Corporation (Overseas Services) will take the remaining equipment—the melt unit—for £2m leaving only land and buildings in Llanelli with a book value of £500,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims — Archimedes Investment, Bass, Carr's Milling Industries, Robert Kitchen Taylor.

Finals—Atkins Brothers (Hosiery), Capper-Neill, Cullen's Stores, Doornfontein Gold Mining, Driefontein Consolidated, Fleet Street Letter, Kloof Gold Mining, James Latham, Libanon Gold Mining, Premier Consolidated Oilfields, Scoteros, Sketchley, Venterspost Gold Mining, Vlakfontein Gold Mining.

FUTURE DATES

Interims:—	
Crest Nicholson	June 15
Finals:—	
Butterfield-Harvey	June 15
Charter Consolidated	June 22
Cohen (A.)	June 10
Electra Investment Trust	June 9
Eva Industries	June 9
Ferguson Industrial	June 9
Highams	June 14
London and O'seas Freighters	June 18
Powell Duffryn	June 23
Standard Fireworks	June 17

† Amended.

British Sugar to try and shake Berisford off again

BY RAY MAUGHAN

British Sugar is going back to the EEC Commission with additional submissions in an attempt to shake off its 40.02 per cent shareholder, S. and W. Berisford. Time, however, is becoming tight as the EEC has imposed a deadline but of vastly greater importance, Berisford will be free to bid for the beet producer once more from July 1 onwards.

British Sugar has been attempting since February to convince the European Commission that Berisford's stake is in contravention of Article 86 of the Treaty of Rome, in that it had abused a dominant position in a major EEC market.

Thus far, the Commission has been less than enthusiastic in its response to British Sugar's pleading and, in an interim judgment delivered at the end of last month, concluded that there was "insufficient evidence" to force Berisford to divest.

It is now understood that the Commission was quite emphatic in its ruling and concluded that the acquisition of a major producer by a merchant such as Berisford would not harm the remaining traders and any such deal would not inflate prices artificially.

Nevertheless, the beet producer remains undaunted and is currently preparing fresh evidence. Consideration of an appeal to the European Court of Justice in Luxembourg now appears to have been shelved; the Court would decide the issue on points of law which is not what British Sugar is seeking. It is attempting, instead, to "get a dialogue going and to crystallise the situation," a spokesman for the group said yesterday.

The Commission has already called for and digested copious evidence since British Sugar started proceedings four months ago but the supplicant remains confident that it can stimulate a fresh interpretation of its uneasy relationship with Berisford.

Jas. Fisher deal with Hunting

James Fisher and Sons, the shipping, port terminals and marine services group, has agreed in principle to acquire a number of shipping activities from Hunting Gibson for £3.65m.

Fisher announced yesterday it will pay £2m in cash, £850,000 in the form of a bill of exchange maturing on June 30 1984 and the remaining £800,000 by the issue of new James Fisher shares.

Fisher will buy Gibson's wholly-owned Westfield Shipping subsidiary, a company which has the mv Thamesfield, a 50,310 dwt lumber carrier on a profitable long term charter. The vessel has relating financial obligations of $13m (£7.2m).

It will also acquire the business of Hunting Stag Management, which has staff with experience of deep sea tonnage, including the operation of large bulk carriers. The company manages the mv Thamesfield, vessels owned by Stag Line, which is another Gibson subsidiary, as well as vessels for other shipowners.

Finally, Fisher will acquire the mv Silloth Stag, a 1,165 dwt general purpose vessel engaged in coastal and short-sea trade.

Fisher said the deal will allow it to expand its specialised shipowning and ship management activities while Gibson said Fisher will be able to make investments in these areas at a level which Gibson could not match.

Pernod buys whisky distiller

THE FRENCH drinks group, Pernod Ricard, yesterday announced a further expansion of its foreign interests with the acquisition of William Whiteley the London-based whisky distiller.

Pernod's Campbell Distillers subsidiary has bought Whiteley's London headquarters, the Edradour distillery at Pitlochry as well as a number of whisky brandnames from J. and G. Turney for an undisclosed sum.

House of Lords and King's Ransom, both blended whiskies, and Glenforres Glenlivet, a malt brand, will in future be bottled at Campbell's Kilwinning plant, though distilling will continue at Pitlochry.

Whiteley, which exports 95 per cent of its production, will continue under its present management, Pernod said.

"Besides production advantages, this acquisition allows us to complete our portfolio of brandnames and diversity our whisky export markets," said Mr Thierry Jacquillat, Pernod's managing director and chairman of Campbell.

Pernod, which claims to be the world's sixth largest drinks group has been expanding abroad, last year acquiring Field Crest Importers, a U.S. company for $210,000 following the $97.5m acquisition of Austin Nicholls in 1980. It has also taken over importers in Spain, Switzerland and the UK.

R. P. Martin purchase

The Merchant Navy Officers Pension Fund has purchased 1m—10.7 per cent—of the shares in money-broker R. P. Martin, at a cost of about £3.35m.

The stock was sold by leading German currency broker Bierbaum, which retains 52 per cent of the equity. Under the terms of the merger between Martin and Bierbaum, which was completed on October 14 1981 Bierbaum undertook to sell within a year approximately 1m shares out of its 63 per cent stake.

Yesterday Mr Peter Watling, a director of Martin said "We are happy to have the Merchant Navy Officers Pension Fund as an investor in the company."

After the news of the transaction, the Martin share price gained 10p to 345p.

MINING NEWS

Tronoh facing fall in profit

BY KENNETH MARSTON, MINING EDITOR

MALAYSIA'S tin-producing Tronoh Mines looks to be facing a fall in earnings this year following a recovery in 1981 which was provided by a gain on a land sale.

Raja Badroi Ahmad, the chairman, says in the annual report that tin production and prices this year will be lower and sales of tin will be restricted by the quota allotted to the company by the International Tin Council.

He point out that while the tin concentrate output from the company's two dredges is expected to increase slightly the retreatment of tin-shed residues is now almost completed.

The ITC sales quota allotted is about 70 per cent of Tronoh's anticipated production this year from April 27 until the end of June, "therefore a significant stock of unsold concentrates will be accumulated."

Even so, the chairman comments that the International Tin Agreement "has been a stabilising influence on the tin market to the benefit of consumers and producers alike and it offers the best prospect for a healthy tin price in the future."

He thus finds it disturbing that the proposed Sixth Tin Agreement failed to gain sufficient support from consumer members to come into effect from July 1 next. But he says that the sixth ITA can still come into force "if those who have signed it meet and renew their resolve to participate in it, albeit without some members of the fifth ITA."

Tronoh's tin concentrate production for the first four months of this year amounts to 174 tonnes compared with 204 tonnes in the same period of 1981.

Meanwhile, output figures for May announced by the Malaysian tin producers include that of Gopeng which makes a total for the first eight months of the current financial year to September 30 of 1,206½ tonnes compared with 1,057½ tonnes a year ago.

The small Tanjong has produced 47½ tonnes in the first five months of this year compared with 65½ tonnes a year ago. The latest output figures are compared in the following table.

	May tonnes	Apr tonnes	Mar tonnes
Gopeng	147½	159½	155½
Mambang	30	46	43
Tanjong	9¾	8	9¾

Durban Deep & ERPM leave dividend list

NOT SURPRISINGLY in view of the lower gold price and rising costs South Africa's struggling veteran gold mines, Durban Deep and East Rand Proprietary Mines have decided not to declare interim dividends for this year.

Unless there is a sharp recovery in the bullion price it is doubtful whether they will pay any 1982 final dividends. For 1981 Durban Deep paid a total of 185 cents (85p) and ERPM 50 cents.

Blyvooruitzicht, which runs its financial year to June 30, is declaring a final for the current year of 90 cents. This fits in with the higher expectations and brings the year's total to 190 cents compared with 260 cents for 1980-81.

Canadian news round-up

IN HIS latest round-up of the Canadian mining investment scene John Soganich reports from Toronto that overall net profits this year for the companies in the Little Long Lac Gold Mines group are expected to dip to C$25m-C$30m from C$37m (£16.5m) last year, according to Mr Peter A. Allen, the chairman. Production will be about 190,000 oz of gold against 188,000 oz in 1981, albeit at a lower average price and at a higher operating cost.

In a look at Canada's copper producers, investment house Lévesque, Beaubien likes the longer-term share-price prospects of Gibraltar Mines. The brokerage house notes that with copper prices currently at 30-40 year lows in real terms, Gibraltar (a member of the Placer Development group) will lose money this year and will only break even in 1983.

However, in the short term, copper industry layoffs and strikes could bring some firmness in the metal price

LONDON TRADED OPTIONS

June 7. Total Contracts 2,280 Calls 1,934 Puts 346

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	300	30	4	42	—	52	—	384p
BP (c)	330	9	33	20	—	58	5	"
BP (c)	360	3	5	-	—	—	—	"
BP (p)	280	4	1	9	—	—	—	"
BP (p)	330	18	10	26	—	52	—	"
CU (c)	150	11	14	15	—	21	—	134p
CU (c)	140	6	28	13	—	16	—	"
Cons. Gld (c)	390	5	—	16	1	27	1	354p
Cons. Gld (p)	360	18	—	30	9	40	—	"
Cons. Gld (p)	390	45	—	60	1	67	1	"
Ctlds. (c)	50	36	4	—	—	—	—	84p
Ctlds. (c)	60	25	5	—	—	—	—	"
Ctlds. (c)	70	16	1	85	6	—	—	"
Ctlds. (c)	80	8½	36	14	25	19	—	"
Ctlds. (c)	80	2½	35	9	15	12	6	"
Ctlds. (c)	100	1	73	4	15	8	—	"
GEC (c)	800	72	5	95	—	122	—	957p
GEC (p)	950	39	10	57	1	82	—	"
GEC (p)	950	30	10	30	—	42	—	"
Gr'd Met. (c)	174	58	9	50	—	—	—	229p
Gr'd Met. (c)	194	38	5	42	—	47	—	"
Gr'd Met. (c)	900	33	—	39	—	43	9	"
Gr'd Met. (c)	214	19	139	27	195	51	—	"
Gr'd Met. (c)	220	14	10	81	11	85	a	"
Gr'd Met. (p)	194	1	49	4	—	6	—	"
Gr'd Met. (p)	220	6	44	8	5	14	4	"
ICI (c)	300	38	3	46	—	54	—	332p
ICI (c)	330	13	14	24	14	56	—	"
ICI (c)	360	5	—	8	25	—	—	"
Land Sec. (c)	260	95	9	36	—	46	—	280p
Land Sec. (c)	280	11	9	85	—	33	—	"
Mks & Sp. (c)	160	10½	10	15	9	19½	9	168p
Mks & Sp. (c)	180	—	—	5	—	9	41	"
Shell (c)	390	44	1	54	a	64	—	422p
Shell (c)	420	88	1	34	19	44	1	"
Shell (c)	460	7	—	17	16	26	—	"
Shell (p)	560	a	3	5	—	—	—	"
Shell (p)	390	5	9	10	—	19	—	"
Shell (p)	420	14	—	24	5	30	—	"
Shell (p)	460	40	—	48	—	52	3	"
		August		November		February		
Barclays (c)	460	30	—	45	—	57	4	468p
Barclays (c)	500	6	1	20	—	37	—	"
Barclays (p)	460	14	—	29	—	95	2	"
Imperial (c)	60	40½	77	—	—	—	—	98p
Imperial (c)	70	30½	201	—	—	—	—	"
Imperial (c)	80	20½	272	23	—	—	—	"
Imperial (c)	90	18½	144	16½	—	21	17	"
Imperial (c)	100	5	949	8	87	13	15	"
Imperial (p)	70	¾	16	—	—	—	—	"
Imperial (p)	80	1	56	9	—	—	—	"
Imperial (p)	80	1¾	35	5	—	6	—	"
Imperial (p)	100	6	66	8	—	9½	—	"
Lasmo (c)	300	47	3	60	—	—	—	329p
Lasmo (c)	560	15	10	34	8	43	—	"
Lasmo (c)	390	8	8	—	—	—	—	"
P & O (c)	160	4	10	8	5	12	5	148p
Racal (c)	360	77	5	93	—	—	—	430p
Racal (c)	390	52	1	70	—	82	—	"
Racal (c)	420	27	10	48	3	69	—	"
Racal (c)	460	11	47	87	—	40	—	"
Racal (p)	420	13	10	27	—	58	—	"
RTZ (c)	420	16	15	30	8	57	—	414p
RTZ (c)	460	6	2	15	—	27	—	"
Vaal Rfs (c)	40	7¾	a	9½	—	—	—	$45
Vaal Rfs. (c)	45	4¼	1	5½	9	7½	5	"
Vaal Rfs. (p)	45	3¾	10	5½	1	7½	—	"
Vaal Rfs. (p)	50	7½	—	10	1	11½	—	"

C=Call P=Put

BP Oil shows £24m loss

BP Oil Group, the UK and Eire refining and marketing arm of British Petroleum, made an operating loss of £24m in the first three months of 1982 on a full current cost accounting basis. This compared with a loss of £30m in the first quarter of 1981.

Judged against historic costs, the operating loss before tax and interest was £38m compared with a profit of £17m in the first quarter of 1981. Taking account of the replacement cost of oil, the operating loss was £18m compared with a loss of £21m in the same period last year. It is this result which most realistically illustrates the Group's trading performance, the directors state.

The results reflect a continuation of the difficult trading conditions experienced in 1981, during which surplus crude oil supplies and refining capacity created intense competition and exerted great pressure on margins.

House of Fraser

Professor Roland Smith, chairman of House of Fraser, the Harrods stores group, responding to reports that he was seeking a top job in nationalised industry, said yesterday "my life is with House of Fraser. I have not been approached by a minister or a management consultant for any public appointment.

ARGYLL FOODS PLC

Continued

Supermarkets

The Liptons division operates 789 convenience grocery stores under the names of Liptons, Templeton and Galbraith and has a total sales area of some 1.9 million square feet, with an average sales area per store of some 2,400 square feet.

Liptons is the trading name for the 588 smaller stores, averaging 2,300 square feet of sales area, trading in England and Wales. A previous multitude of fascias was rationalised into Liptons in the early 1970s. These stores have been progressively refined with loss-making stores being closed. Their disposal has provided funds to refit and modernise the remainder, thereby improving quality and facilitating the introduction of fresh produce, meat, fruit, vegetables and wines and spirits.

The Liptons name is strongest in the North East, Lancashire, Yorkshire and London, and is also well represented in the holiday areas of North Wales, Devon and Cornwall, the South Coast and Kent. In addition, there are Liptons Foodhalls in 13 of the Debenhams department stores.

Templeton is the trading name for the larger Scottish supermarkets within the division, comprising 85 stores with an average sales area of 4,500 square feet per store. Templeton has a reputation for fresh foods and quality and is particularly strong in the West of Scotland and the Ayrshire coast. The use of the traditional Templeton name with local management maintains the Scottish identity of these stores.

Galbraith is the name used for the 103 smaller Scottish convenience stores, averaging 1,200 square feet per store. The stores are mainly in estate and high street locations in and around Glasgow.

Limited range discount stores

The Lo-Cost division operates 157 discount supermarkets having a total sales area of 541,000 square feet and an average sales area per store of some 3,400 square feet. Turnover in the year to end March, 1982 was £73 million and, with the benefit of the recent Pricerite stores acquisition, is currently at an annual rate of around £100 million.

Lo-Cost are mainly located in the West Midlands, Wales and North West England. Lo-Cost offers customers the benefit, through a policy of central bulk buying, of purchasing a range of branded products, including quality fresh foods, at competitive prices in convenience small town and suburban locations. The policy of concentration on branded products has lead to the establishment of a strong trading relationship between this division and manufacturers.

Retail food distribution and administration

The Presto and Liptons divisions are serviced from 9 distribution depots with a total warehouse area of 658,000 square feet and 4 fresh produce depots, located throughout the country. Some 1,800 grocery lines, including own label products, are distributed by a fleet of 213 vehicles. The Lo-Cost division is serviced from 3 distribution depots, with a total warehouse area of 149,000 square feet, located at Queensferry in North Wales, Shrewsbury and Heathfield in Devon. Distribution of some 1,300 grocery lines is by Lo-Cost's fleet of 42 vehicles.

Administration for the Presto and Liptons divisions is concentrated in a modern office of 41,000 square feet in South Shields, employing some 500 staff. Remote computer facilities are directly linked to the main computer installation in the modern head office of 58,000 square feet at Hayes. Buying is directed centrally from Hayes with specialist divisions for fresh meat, fresh produce, in-store bakeries and fresh fish. The supporting departments of property and development, finance, marketing and personnel are also located at Hayes. Administration, and buying for the Lo-Cost division is centred in an office of 10,000 square feet at Queensferry, North Wales.

Freezer centres

The Cordon Bleu division operates 137 freezer centres located throughout England having a total sales area of 303,000 square feet and an average sales area per store of some 2,200 square feet. Its 137 stores include 45 of the original Cordon Bleu stores acquired in November, 1979, 31 stores acquired with Dalgety Frozen Foods in February, 1980, 38 of the 66 Freezer Fare stores acquired in October, 1980 and 5 Bonimart stores acquired in November, 1980. Cordon Bleu has also opened 13 stores over the last twelve months.

All Cordon Bleu freezer centres carry a uniform range of products, with common merchandising and pricing policies. In addition to selling approximately 600 lines of frozen foods, Cordon Bleu sells a limited range of groceries, freezers and microwave ovens.

The stores are principally serviced from 2 cold store depots located at Salford, near Manchester and Sevenoaks in Kent. The head office of Cordon Bleu is located in modern premises of 15,000 square feet at Stockport, Cheshire.

Cash and carry

Mojo operates 29 wholesale cash and carry depots throughout England and Wales having a total sales area of 578,000 square feet, and is a member of the Keencost buying and marketing group. Mojo originally operated principally as a supplier to the retail grocery trade but has extended its market and is now involved in catering supplies, wines and spirits, cigarettes and tobacco, confectionery, grocery provisions and fresh meat. The majority of its outlets are well established in defined local markets.

Frozen foods

Snowking Frozen Foods is a specialist wholesale distributor of frozen foods, operating from 12 depots with a total capacity of 721,000 cubic feet, principally located in the South of England and the Midlands. Snowking offers a range of some 1,750 frozen food products, both branded and own label, to service the food retail and catering markets.

Food manufacturing

Argyll Quality Foods manufactures and sells a range of quality plain and half-coated biscuits under the "Bronte", "Yorkshire Biscuits" and "Furniss" labels. It also manufactures and sells shortbread and oatcakes under the "Paterson" label, and tinned cakes and pies under the "Purdy" label. Argyll Quality Foods is located in premises at Haworth in Yorkshire, Truro in Cornwall and Livingston in West Lothian.

Gold Crown Foods blends and packs tea both under its own "Mantunna" regional brand label and under private labels and also packs coffee. Gold Crown Foods is located in central Liverpool.

Liverpool Central Oil refines and supplies edible oils and fats which are largely sold to the major food manufacturers in the United Kingdom. It is located in central Liverpool.

Management and employees

Directors

Mr. J. G. Gulliver, who is aged 51, is chairman of Argyll and has been a director since February, 1979. From 1965 to 1972 he was chief executive, and from 1967 also chairman, of Fine Fare Limited. He was also a director of its parent company, Associated British Foods Limited. In 1971, in addition to retaining his Fine Fare responsibilities, he was appointed executive vice president of Loblaws, an associated company, the second largest supermarket chain in Canada. In October, 1972, he left Fine Fare to develop his own interests and in January, 1973 acquired a substantial shareholding in Oriel, where, as chairman and chief executive, he was responsible for its development until the end of 1976. His prime commitment is as executive chairman of Argyll, to which he devotes the greater part of his time; in addition, he is chairman of Alpine Holdings PLC and Amalgamated Distilled Products PLC, which are separate public listed companies. He is also chairman of JGA and Gulliver Foods.

Mr. D. F. Burditt, who is aged 52, has been a director of Argyll since June, 1980. Following a period of time with Procter & Gamble, he was employed by Beechams from 1971 to 1977, latterly as managing director of Beecham International Consumer Products Division. From 1977 to 1979 he was group managing director of Thomas Borthwick & Sons Limited. He is responsible for Argyll's food manufacturing division. He is also a director of Gulliver Foods.

Mr. C. M. Edwards, who is aged 36, has been a director of Argyll since September, 1972. He is a non-executive director.

Mr. E. K. Edwards, who is aged 70, has been a director of Argyll since March, 1980, following the acquisition by Argyll of Morgan Edwards Limited. He is a non-executive director.

Mr. M. A. Grant, who is aged 45, has been a director of Argyll since February, 1979. From 1968 to 1972 he was part of Mr. Gulliver's management team at Fine Fare, latterly as marketing director. From 1973 to 1977 he was managing director of Oriel. He is an executive director, with group operational responsibility. He is also a director of Alpine Holdings PLC, Amalgamated Distilled Products PLC, JGA and Gulliver Foods.

Mr. C. S. Lawrie, who is aged 48, has been a director of Argyll since September, 1981. From 1959 to 1973 he was a senior executive of an associated company of Fine Fare, for which Mr. Gulliver was responsible, engaged in delivered and cash and carry wholesaling. Since 1974, he has been part of the management of Oriel, latterly as a director. He is responsible for Lo-Cost Stores and Mojo.

Mr. H. M. Plowden Roberts, who is aged 49, was appointed a director of Argyll in June, 1982. Following a period of several years as an executive and director of a retail and wholesale meat company, he was appointed to Allied in 1967 to establish the fresh meat operation as part of the supermarket development programme. He joined the board of Allied as fresh foods director in 1971, becoming marketing director in 1972 and operations director in 1975. He became managing director and chief executive of Allied in 1979, and chairman in 1980.

Mr. R. E. Senark, who is aged 42, has been a director of Argyll since July, 1979. From 1964 to 1978 he was part of Mr. Gulliver's management team at Fine Fare, and a director from 1974. He is responsible for Cordon Bleu and Snowking. He is also a director of JGA and Gulliver Foods.

Mr. D. G. C. Webster, who is aged 37, has been a director of Argyll since February, 1979. He was director of corporate finance of Oriel from 1973 to 1977. As an executive director he is responsible for group corporate finance. He is also a director of Alpine Holdings PLC, Amalgamated Distilled Products PLC, JGA and Gulliver Foods.

Employees

The new Argyll group has the following employees, of whom some 11,700 are employed on a part-time basis:

Retail food distribution:	
Large supermarkets and superstores	12,200
Small supermarkets	10,800
Limited range discount stores	1,800
Freezer centres	900
Warehouse and distribution	900
Wholesale food distribution	700
Food manufacturing	700
Central and regional administration	2,200
Total	30,200

Financing of the acquisition of Allied

The consideration receivable by Allied (Holdings) for Allied amounts to approximately £101 million, which is being settled through the allotment of the 95 million new ordinary shares and through cash. The cash element of the consideration represents the difference between the consideration and the gross cash proceeds of the Offer for Sale and is estimated in the table below on the basis of different striking prices for the new ordinary shares (in multiples of 5p for illustration only) which may be achieved under the Offer for Sale.

Striking price of new ordinary shares	85p (minimum striking price)	90p	95p	100p (maximum striking price)
	£m	£m	£m	£m
Gross cash proceeds of Offer for Sale	81	85	90	95
Cash element of the consideration	20	16	11	6
Estimated total consideration before expenses	101	101	101	101

The above table thus indicates that the cash element of the consideration, to be financed by new term loans, reduces as the price at which the new ordinary shares are sold increases. In addition, interest on the consideration, estimated to be £2.5 million, is payable in respect of the period from 16th April, 1982 up to the date of completion. Argyll will at the same time have the benefit of the profits of the Allied group arising since 3rd April, 1982. Further details of the financial terms of the acquisition are given in Appendix III.

The term loans to finance the cash element of the consideration and interest and expenses are being provided by Samuel Montagu and Midland Bank plc. Details of these loans are given in paragraph 6 (xiv) of Appendix V.

Terms of the Offer for Sale

The 95 million new ordinary shares are being offered for sale by Samuel Montagu by means of a tender offer whereby applicants choose a price of between a minimum of 85p per share and a maximum of 100p per share at which they wish to apply.

When the application list for the new ordinary shares has been closed, the applications will be considered with a view to providing an appropriate distribution of shares among large and small investors and to establishing a market in the new ordinary shares for which a reasonable spread of shareholdings is required. The striking price will then be determined by Samuel Montagu and all the shares will be sold at the one striking price. The striking price, which will be not less than 85p per share, will not necessarily be the highest price at which sufficient applications (including applications at higher prices) are received to cover all the new ordinary shares being sold.

Applicants tendering at a price below the striking price will receive no allocation of shares and will have their cheques returned to them. If any applications at or above the striking price are accepted in part only, applicants will have any surplus amount following allocation returned to them.

The new ordinary shares will rank pari passu with the existing ordinary shares currently in issue, save that they will not rank for the proposed scrip issue of warrants described in paragraph 1 of Appendix V, nor for a dividend of 2.25p per share, which was declared on 10th May, 1982, to be paid on 27th August, 1982; this dividend will be paid as a second interim dividend in lieu of a final dividend in respect of the fifty two week period ended 27th March, 1982.

The new ordinary shares will rank for the interim dividend proposed to be paid in November, 1982 in respect of the year to March, 1983, which is forecast to be 1.25p per share, as referred to below.

Details of how to apply for the new ordinary shares now being offered for sale are set out in *"Procedure for Application" at the end of this document.*

Preferential applications

Of the 95,000,000 new ordinary shares being offered for sale, a maximum of 21,804,724 new ordinary shares, representing approximately 23 per cent. of the shares being sold, is being made available for preferential applications, on the terms described above, by holders of existing ordinary and convertible preference shares of Argyll, on the register of members of Argyll at the close of business on 1st June, 1982. Such shareholders are entitled to make preferential applications on the following bases:

Ordinary shareholders	one new ordinary share for every two existing ordinary shares then held;
Convertible preference shareholders	145 new ordinary shares for every 200 convertible preference shares then held and so in proportion for holdings of any other amount (being an offering pro rata to the conversion rights attached to the convertible preference shares).

Fractional entitlements have been ignored.

A maximum of 1,000,000 new ordinary shares is being reserved for preferential applications by the management and employees both of the former Argyll group and of the Allied group, on the terms described above. In the event that the aggregate applications from the management and employees exceed 1,000,000 new ordinary shares, allocations to management and employees may be limited to 10,000 new ordinary shares per individual applicant. Applications for more than 1,000,000 new ordinary shares will then be treated on the same basis as that of the other applications not subject to preferential treatment.

In the event that applications for new ordinary shares at or above the striking price are received for a total in excess of the number available, preferential applications at or above the striking price will be accepted in full on the bases described above, and other applications will be scaled down. No allocation will be made in respect of applications, whether preferential or otherwise, for new ordinary shares at prices tendered below the striking price.

The preferential invitations for shareholders of Argyll, together with those for employees, are not transferable or assignable and, accordingly, do not represent a benefit which may be claimed through the market, and are available only to shareholders named on the register at the close of business on 1st June, 1982 and to employees to whom the invitations are addressed.

Profits

Both the former Argyll group and the Allied group have made significant acquisitions over the last five years and, as referred to below, Allied has distributed very substantial levels of dividends over the period. Accordingly, it is not considered informative to set out a five year summary of pro forma profits before and after taxation, and earnings per share, of the combined group.

The table below summarises the turnover and trading profits before interest and exceptional items of the former Argyll group and the Allied group for the last five years. Detailed analyses of the turnover and trading profits, together with the bases on which they have been prepared, are set out in paragraph 4 of Appendix III.

	Years ended on or about 31st March, 1978	1979	1980	1981	1982
	£m	£m	£m	£m	£m
Turnover:					
Former Argyll group	20.0	19.5	30.0	90.5	229.8
Allied group	526.4	568.8	647.1	780.9	846.8
	546.4	588.3	677.1	871.5	1,076.6
Trading profits:					
Former Argyll group	0.2	(0.2)	0.7	1.8	7.0
Allied group					
—retailing	9.4	7.2	9.7	10.2	11.5
—property profits	0.8	4.0	4.2	4.5	2.4
Combined trading profit before interest and before certain other property profits	10.4	11.0	14.7	16.5	20.9

A table indicating the pro forma profits and earnings per share of the combined group for the year to end March, 1982, appears in paragraph 5 of Appendix III. This table shows that the pro forma profit before taxation of the combined group for the year to end March, 1982, after making pro forma adjustments for interest and other items, varies between £17.3 million and £19.4 million, depending on the striking price of the new ordinary shares under the tender; as the striking price increases, so is a greater amount of cash raised from the Offer for Sale, leading to lower interest costs and higher profits and earnings per share.

Summaries of the trading results and earnings per share of the former Argyll group and of the Allied group for the last five years are set out in Appendices I and II, respectively.

It will be noted that the profits of the former Argyll group increased significantly subsequent to 1979 following the implementation by new management of a substantial programme of acquisitions and the development of new activities from that year.

Allied, as a wholly owned subsidiary of an international group, has distributed very substantial levels of dividends to the Allied (Holdings) group during the last five years, which have in total exceeded its profits after taxation. The directors of Argyll believe that the growth of Allied's business has been considerably restricted by this dividend policy and, in accordance with Argyll's present policy, would anticipate the retention of a substantially higher proportion of future profits within Allied, in order to finance the future expansion and development of operations, and thereby enhancing profit prospects.

Dividends

The directors forecast for the new Argyll group an interim dividend of 1.25p per ordinary share in respect of the year to March, 1983, proposed to be paid in November, 1982. The directors expect to recommend a final dividend of not less than 2.50p per ordinary share, making total dividends for the year to March, 1983 of not less than 3.75p per ordinary share. As previously stated, dividends in respect of the year to March, 1982 will be payable on all the ordinary shares in issue, including the new ordinary shares being offered for sale. It is the directors' intention that future dividend policy will broadly reflect the progress of the new Argyll group.

Prospects

The new Argyll group is a broadly based food retailer with substantial representation, and separate trading identities, within four important food retailing sectors.

Presto—large supermarkets and superstores

Presto, with turnover in the year to end March, 1982 of £435 million, has opened new Presto Food Markets in Manchester and Swansea since April, 1982, making a current total of 129 stores. New Presto Food Markets have an average sales area of approximately 18,000 square feet. Under Presto's store development programme, a further 6 stores are scheduled to open by March, 1983, mostly in the South of England, increasing the sales area of Presto stores to some 2.1 million square feet, which represents an increase of 91 per cent. since April, 1978. An additional 4 stores are under construction for opening after April, 1983 and negotiations are in progress to acquire further sites. By April, 1983 more than half of the total sales area of Presto (over 1,000,000 square feet) will have been remodelled into the Presto Food Market concept. The directors of Argyll believe that the Food Market concept offers attractive prospects for further development and they intend to give strong emphasis to the expansion of the Presto division.

Liptons—supermarkets

The Liptons division, which operates a total of 789 stores, with turnover in the year to end March, 1982 of £412 million, will continue its refit and modernisation programme. By April, 1983 271 stores, representing 46 per cent. of the Liptons division sales area, will have been refitted and modernised within the preceding four years.

The Liptons division's trading concept, based on a quality fresh food image in convenience locations, is expected to continue to offer sound prospects from stores trading in appropriate locations.

Lo-Cost—limited range discount stores

Lo-Cost, which operates a total of 157 limited range discount stores with an average sales area per store of some 3,400 square feet and total turnover at a current annual rate of around £100 million, including the recent acquisition of Pricerite stores, will continue its successful trading concept of providing mainly branded lines, and fresh food, in convenience locations at discount prices. Lo-Cost obtains 60 per cent. of its total volume from products distributed from its own warehouses.

It is planned that Lo-Cost's present regional concentration in the North West and West Midlands will be extended both through an acceleration of new store openings and through the conversion to the Lo-Cost trading format of suitable Liptons stores.

Cordon Bleu—freezer centres

Cordon Bleu, with turnover in the year to end March, 1982 of £49 million, has opened 4 new stores since April, 1982, of which 3 were conversions of Pricerite stores, to make a current total of 137 freezer centres. Cordon Bleu plans to open a total of 20 freezer centres *during the year to March, 1983, including 5 Pricerite conversions.*

It is considered that significant opportunities will exist for the accelerated expansion of Cordon Bleu through the selective conversion of a number of existing stores within the Liptons division into Cordon Bleu freezer centres in the course of the next two years *and also to extend Cordon Bleu's penetration into the North East and Scotland,* where it is not at present represented.

The former Argyll group's food wholesaling and manufacturing activities will represent some 10 per cent. of the total turnover of the new Argyll group. These activities are supplementary to the mainstream retail operation.

The directors consider that the capital funds required for developing new stores and for the modernisation and conversion of existing stores can be generated from current resources, from the cash flow of the business and from the disposal of surplus properties.

Summary

The directors of Argyll are confident of the trading prospects for the new Argyll group. Efficient food distribution, which involves the buying, physical distribution, marketing, administration and control of very substantial volumes of food products, is a business which offers significant benefits of scale. Accordingly, the directors of Argyll believe that the major opportunities for profit improvement and increased efficiencies resulting from such scale benefits are available both within the Allied group, to ensure its continued development and expansion as a strong and efficient national grocery retailer, and also from the combination of the complementary activities of Argyll and Allied.

Priority will be given to seeking to obtain through such profit improvement and efficiency programmes an increased net operating margin for each of the four retail operating divisions of the new Argyll group in line with best food industry sector performance and standards.

APPENDIX I
ACCOUNTANTS' REPORT ON THE FORMER ARGYLL GROUP

The following is a copy of a report on the former Argyll group received from Arthur Andersen & Co., Chartered Accountants:

The Directors,
Argyll Foods PLC,

Bank House,
9 Charlotte Street,
Manchester M1 4EU.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

We have audited the balance sheet of Argyll Foods PLC ("Argyll") and the consolidated balance sheet of Argyll Foods PLC and its subsidiaries (together the "former Argyll group") at 27th March, 1982 and the related consolidated profit and loss accounts and consolidated statements of source and application of funds for the five accounting periods ended on or about 31st December, 1977, 1978 and 1979, 28th March, 1981 and 27th March, 1982, prepared on the basis of the accounting policies set out in paragraph 4 below, in accordance with approved auditing standards.

The principal subsidiaries in the former Argyll group are set out in paragraph 4 below.

We were not the auditors of the former Argyll group for the years ended on or about 31st December, 1977 and 1978. The consolidated accounts for those years were reported on, without qualification, by another firm of Chartered Accountants. We were the auditors of the former Argyll group for the year ended 31st December, 1979, the fifteen month period ended 28th March, 1981 and the 52 week period ended 27th March, 1982.

In our opinion, the financial information presented in paragraphs 1 to 4 below for the five accounting periods ended 27th March, 1982, which is based on the audited accounts after making such adjustments as we consider necessary, gives a true and fair view, on the basis of the accounting policies set out in paragraph 4 below, of the state of affairs of Argyll and the former Argyll group at 27th March, 1982 and of the profits or losses and source and application of funds of the former Argyll group for each *of the five accounting periods then ended, on a consistent basis.*

Further, in our opinion the consolidated current cost accounts set out in paragraph 5 below have been properly prepared in accordance with the stated policies to give the information required by Statement of Standard Accounting Practice Number 16.

No audited accounts for any of the companies in the former Argyll group have been prepared in respect of any period since 27th March, 1982.

1. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The table below sets out the audited consolidated results of the former Argyll group for the five accounting periods ended 27th March, 1982.

	Notes	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
		£'000	£'000	£'000	£'000	£'000
Turnover:						
Food manufacturing		—	—	1,519	5,225	15,263
Edible oil refining		—	—	—	3,456	23,211
Food distribution						
—grocery retail and wholesale		10,471	10,583	9,081	48,026	142,871
—freezer centres		—	—	3,695	45,323	48,414
Discontinued activities		9,539	9,564	8,519	—	—
		20,010	20,147	22,814	102,030	229,759
Trading profit/(loss) before group expenses:	(ii)					
Food manufacturing		—	—	330	746	1,482
Edible oil refining		—	—	—	67	573
Food distribution						
—grocery retail and wholesale		148	117	186	595	3,572
—freezer centres		—	—	138	1,135	1,868
Discontinued activities		297	(164)	(174)	—	—
		445	(47)	470	2,543	7,490
Group expenses		(156)	(187)	(154)	(412)	(443)
Profit on sale of a trading property	(ii)	—	—	—	—	633
Net interest expense	(iii)	(82)	(110)	(105)	(532)	(487)
Profit/(loss) before taxation and extraordinary items		207	(344)	211	1,599	7,093
Taxation credit/(charge)	(iv)	(98)	172	—	—	(687)
Profit/(loss) before extraordinary items		109	(172)	211	1,599	6,406
Extraordinary items	(v)	—	(572)	(373)	(111)	(1,147)
Net profit/(loss)		109	(744)	(162)	1,488	5,259
Dividends:						
Convertible preference shares		—	—	—	(64)	(86)
Ordinary shares		—	—	—	(757)	(1,368)
Transfer to/(from) revenue reserves		109	(744)	(162)	667	3,805
Revenue reserves at beginning of period		730	839	95	(67)	600
Transfer to capital redemption reserve		—	—	—	—	(32)
Revenue reserves/(deficit) at end of period		839	95	(67)	600	4,373
Earnings/(loss) per share	(vi)	0.7p	(1.2p)	1.2p	5.3p	15.0p
Dividends per share:						
Convertible preference		—	—	—	6.0p	8.0p
Ordinary		nil	nil	nil	2.0p	3.25p

2. BALANCE SHEETS

The table below sets out the audited balance sheet of Argyll and the audited consolidated balance sheet of the former Argyll group at 27th March, 1982.

	Notes	Argyll 27th March, 1982		Former Argyll group 27th March, 1982	
		£'000	£'000	£'000	£'000
Assets employed:					
Fixed assets	(vii)		202		25,653
Goodwill			—		8,136
Interest in subsidiaries			28,039		—
Current assets:					
Stocks		—		27,750	
Debtors		251		8,162	
Cash		1,141		997	
		1,392		36,909	
Less: Current liabilities:					
Corporation tax		406		1,295	
Creditors		398		39,755	
Dividends		947		947	
Bank overdrafts (secured)		—		30	
		1,751		42,027	
Net current liabilities			(359)		(5,118)
			27,882		28,671
Financed by:					
Shareholders' funds:					
Share capital	(viii)		5,249		5,249
Share premium			12,228		12,228
Capital redemption reserve			32		32
Revenue reserves			4,373		4,373
			21,882		21,882
Deferred taxation	(ix)		—		489
Deferred purchase consideration			—		300
Bank loans (secured)	(x)		6,000		6,000
			27,882		28,671

3. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The table below sets out the audited consolidated statements of source and application of funds of the former Argyll group for the five accounting periods ended 27th March, 1982.

	Notes	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
Source of funds:		£'000	£'000	£'000	£'000	£'000
Arising from/(absorbed by) operations:						
Profit/(loss) before taxation and extraordinary items		207	(344)	211	1,599	7,093
Extraordinary items before taxation		—	(750)	(373)	(111)	(1,447)
		207	(1,094)	(162)	1,488	5,646
Adjustments for items not involving the movement of funds:						
Depreciation		112	156	265	1,361	2,809
Profit on sale of fixed assets		(79)	(13)	(12)	(146)	(629)
Profit on sale of subsidiary		—	—	—	—	(21)
Provisions for losses on fixed assets held for sale		—	103	127	—	—
Total arising from/(absorbed by) operations		240	(848)	218	2,703	7,805
Other sources:						
Proceeds from sale of fixed assets		135	24	66	790	1,354
Proceeds from sale of subsidiary	(xi)	—	—	—	—	76
Estimated proceeds from fixed assets held for sale		—	386	602	156	—
Proceeds from issues of shares		—	—	1,284	15,758	—
Consideration due to vendors of subsidiaries		—	—	1,000	—	—
Deferred purchase consideration		—	—	—	400	—
Bank loans		—	—	1,170	12,650	—
Taxation recovered		3	—	—	5	10
Decrease in working capital requirement		—	575	2,498	3,709	3,032
Total source of funds		378	137	6,838	36,181	12,277

ARGYLL FOODS PLC

ARGYLL FOODS PLC *Continued*

	Notes					
Application of funds:						
Purchase of fixed assets		320	180	413	4,905	8,848
Bank loans repaid		—	—	—	7,820	—
Acquisition of subsidiaries	(xi)	—	—	4,546	25,051	—
Consideration due to vendors of subsidiaries		—	—	—	1,000	—
Deferred purchase consideration		—	—	—	—	100
Additional payments for Cordon Bleu		—	—	—	680	—
Goodwill arising on acquisitions of businesses		—	—	—	971	1,509
Debentures repaid		—	—	—	470	—
Taxation paid		—	—	95	—	669
Dividends paid		—	—	—	274	1,138
Increase in working capital requirement		216	—	—	—	—
Total application of funds		536	180	5,054	41,171	12,264
Increase/(decrease) in cash and bank balances		(158)	(43)	1,784	(4,990)	13
Increase/(decrease) in working capital requirement:						
Stocks		302	(447)	(515)	1,870	3,099
Debtors		130	(651)	(653)	(4,191)	290
Assets held for sale		—	1,114	(172)	(961)	(765)
Creditors		(216)	(591)	(778)	(907)	(5,656)
Consideration due to vendors of a subsidiary		—	—	(480)	480	—
		216	(575)	(2,498)	(3,709)	(3,032)

4. NOTES TO THE FINANCIAL INFORMATION

Notes (ii) to (xiv) below refer to the consolidated profit and loss accounts, balance sheet and statements of source and application of funds of the former Argyll group, except where otherwise relevant or where it is indicated that they refer to Argyll.

(i) Accounting policies

The accounts have been prepared on the historical cost basis using the following accounting policies:

Principles of consolidation

The consolidated accounts comprise the accounts of Argyll and its subsidiaries, after eliminating all significant inter-company balances and transactions. Subsidiaries are accounted for as from their effective date of acquisition or disposal, as defined by Statement of Standard Accounting Practice Number 14.

Interest in subsidiaries

Argyll accounts for interests in subsidiaries under the equity method whereby such interests are stated at cost, adjusted for retained profits and losses since acquisition.

Goodwill

Goodwill represents the excess of the purchase consideration and acquisition expenses of the subsidiaries and businesses acquired over the fair values attributed to the related net assets at the dates of acquisition. Goodwill is carried forward unamortised, unless the directors are of the opinion that there has been a permanent diminution in value.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated economic lives on a straight-line basis. The current annual depreciation rates used are as follows:

Freehold and long leasehold buildings	2%
Short leasehold buildings	term of lease
Plant and equipment	10-12½%
Motor vehicles	25%

Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value. The cost of manufactured products includes an appropriate proportion of manufacturing overheads.

Assets held for sale

Assets held for sale in respect of discontinued activities or those surplus to the requirements of the continuing activities are included in current assets at the lower of their net book value and estimated net realisable value.

Turnover

Turnover represents sales to external customers less returns and allowances and is exclusive of value added tax.

Foreign currency items

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Foreign currency items in the balance sheets are translated into sterling at the rates of exchange ruling at the end of the periods. Resulting exchange gains and losses are reflected in the consolidated profit and loss accounts.

Taxation

Corporation tax is provided on the taxable profits for the periods at the rate current during the periods. Deferred taxation is provided, using the liability method, in respect of tax allowances for fixed assets in excess of depreciation provided in the accounts and other timing differences except to the extent that the directors are satisfied that the tax benefits resulting from these timing differences will continue in the foreseeable future.

(ii) Trading profit/(loss) after group expenses

Trading profit/(loss) after group expenses for the former Argyll group has been determined after charging/(crediting) the following items:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Depreciation	112	156	265	1,361	2,809
Profit on sale of fixed assets	(79)	(13)	(12)	(146)	(96)

The profit on sale of a trading property of £533,000 arising in the 52 week period ended 27th March, 1982, shown as an exceptional item, arose on the sale for development purposes of a property previously used in the trade of the former Argyll group.

(iii) Net interest expense

Net interest expense for the former Argyll group comprises:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Bank loans repayable 1986/88	—	—	—	253	931
Other bank loans and overdrafts	82	110	105	279	32
Interest income on bank balances and cash	—	—	—	—	(476)
	82	110	105	532	487

(iv) Taxation

The taxation credit/(charge) for the former Argyll group comprises:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
United Kingdom corporation tax at 52%	—	—	—	—	(389)
Deferred taxation	(98)	172	—	—	—
Unrelieved advance corporation tax written off	—	—	—	—	(611)
Write back of provision for development land tax	—	—	—	—	313
	(98)	172	—	—	(687)

In the 52 week period ended 27th March, 1982, the taxation charge has been reduced by the tax benefit of stock relief of £1,028,000 and deferred taxation not provided of £2,633,000. In the year ended 31st December, 1979 and the 15 month period ended 28th March, 1981, the taxation charge was eliminated by the tax benefit of stock relief and by deferred taxation not provided during those periods, and by tax losses carried forward from previous years. Because of the effect of the significant acquisitions during the course of these periods, the amounts involved are not determinable.

(v) Extraordinary items

Extraordinary items for the former Argyll group comprise:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Net costs relating to offer for Linfood Holdings Limited which did not proceed	—	—	—	—	(1,447)
Net costs relating to discontinued activities	—	(750)	(373)	(111)	—
Taxation relief on extraordinary items	—	178	—	—	300
	—	(572)	(373)	(111)	(1,147)

(vi) Earnings/(loss) per share

Earnings/(loss) per share for each period are based on profits or losses attributable to the ordinary shareholders, being profits or losses after taxation and before extraordinary items less dividends on convertible preference shares where these are applicable, and the weighted average number of ordinary shares in issue during the period. Earnings/(loss) per share have been adjusted for changes in the issued share capital.

The issue of convertible preference shares and options under The Argyll Executive Share Option Scheme has not resulted in a material dilution of earnings per share during any period.

(vii) Fixed assets

Fixed assets at 27th March, 1982 comprise:

	Cost	Accumulated depreciation	Net book value
	£000	£000	£000
Former Argyll group:			
Land and buildings:			
Freehold	7,739	337	7,402
Long leasehold	1,593	69	1,524
Short leasehold	3,188	554	2,634
Plant, equipment and vehicles	25,500	11,407	14,093
	38,020	12,367	25,653
Argyll:			
Plant, equipment and vehicles	300	98	202

(viii) Share capital

The share capital of Argyll at 27th March, 1982 comprises:

	Authorised Number of shares	Nominal £000	Issued Number of shares	Nominal £000
Ordinary shares of 10p each	55,000,000	5,500	43,104,692	4,211
8 per cent. convertible redeemable cumulative preference shares of £1 each	4,468,048	4,468	1,037,763	1,038
Unclassified shares of 10p each	319,520	32	—	—
		10,000		5,249

(ix) Deferred taxation

Deferred taxation provided in the balance sheet of the former Argyll group at 27th March, 1982 and the total potential liability at that date, including the amounts provided, comprise:

	Potential liability	Provided
	£000	£000
Stock relief	688	688
Tax allowances in excess of recorded depreciation	6,763	85
Other timing differences	(852)	(284)
Capital gains deferred by roll-over relief	630	—
Tax effect of unutilised losses available for carry forward	(2,309)	—
Advance corporation tax recoverable	(611)	—
	4,309	489

(x) Bank loans

Argyll has secured bank loans jointly from Midland Bank plc and Samuel Montagu & Co. Limited of £6,000,000. The loans are for a period of seven years from 6th February, 1981, with three repayments each of £2,000,000 due on the fifth, sixth and seventh anniversaries of drawdown. Interest on the loans is based on a rate of 1⅜ per cent. over the London Interbank Offered Rate.

(xi) Acquisition and sale of subsidiaries

The effects on the consolidated statements of source and application of funds of the acquisition and sale of subsidiaries are:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Fixed assets	—	—	2,234	15,007	(12)
Goodwill	—	—	—	122	—
Current assets:					
Stocks	—	—	2,536	19,998	(27)
Debtors	—	—	398	11,123	(141)
Assets held for sale	—	—	—	784	—
Cash	—	—	423	6,916	—
	—	—	3,357	38,828	(180)
Current liabilities:					
Corporation tax	—	—	264	1,407	(14)
Creditors	—	—	2,682	27,537	(94)
Dividends	—	—	—	84	—
Bank overdrafts	—	—	321	1,544	(12)
	—	—	3,267	30,572	(120)
Net current assets/(liabilities)	—	—	90	8,254	(48)
Deferred taxation	—	—	—	(494)	5
Debentures	—	—	—	(470)	—
Net assets acquired/(sold)	—	—	2,324	22,419	(55)
Goodwill/(profit on sale)	—	—	2,222	2,632	(21)
Consideration, including acquisition expenses	—	—	4,546	25,051	(76)
Consideration satisfied by way of:					
Cash: to vendors/(from purchasers)	—	—	3,280	19,870	(80)
acquisition and disposal expenses	—	—	266	1,063	4
Shares: issued	—	—	—	4,118	—
due to be issued	—	—	1,000	—	—
	—	—	4,546	25,051	(76)

(xii) Commitments and contingent liabilities

Commitments and contingent liabilities of the former Argyll group at 27th March, 1982 comprise:

	£000
(a) Capital commitments	
Contracted for	512
Authorised but not contracted for	275
	787

(b) Lease commitments

The former Argyll group leases a number of properties for which the current net annual rentals amount to approximately £3,670,000.

(c) Pension scheme

The former Argyll group maintains contributory defined benefits pension schemes for certain eligible employees. The costs under these schemes were approximately £184,000 in the 52 week period ended 27th March, 1982.

(xiii) Development of group structure and principal subsidiaries

Argyll was incorporated in England on 5th December, 1939 under the name of Louis C. Edwards & Sons (Manchester) Limited to acquire a meat processing business founded in 1919. Its shares were listed on The Stock Exchange in 1962 and its name was changed to Argyll Foods Limited (now Argyll Foods PLC) on 28th July, 1980.

In February, 1979, Gulliver Foods Limited acquired an interest in 20 per cent. of the then issued share capital of Argyll. At the same time, Gulliver Foods Limited assumed a central role in the management and direction of Argyll with the objective of expanding Argyll's scale of operation and product base. Since that date, a substantial number of acquisitions and changes have taken place, the most significant being summarised below:

Effective date of acquisition	Company or business acquired	Consideration £m
May, 1979	Yorkshire Biscuits Limited	1.3
November, 1979	Cordon Bleu Freezer-Food Centres Limited	2.6
March, 1980	Morgan Edwards Limited	4.1
October, 1980	66 Freezer Farestores	1.5
February, 1981	Oriel Foods Limited	13.5
	The principal trading subsidiaries of Oriel Foods Limited at that time were: Mojo Carryway Limited, Lo-Cost Stores Limited, Snowking Frozen Foods Limited, Liverpool Central Oil Company Limited, Gold Crown Foods Limited	
January, 1982	67 Pricerite stores	3.0

In view of the substantial changes which have taken place in the former Argyll group and to its subsidiaries subsequent to their acquisition during the five year period covered by this report, it is not considered meaningful to include within this report a five year record for each of the companies acquired. In order to facilitate the comparison of the group in the year to 27th March, 1982, with the preceding 15 month period, the table below summarises on a pro forma basis turnover and trading profit before group expenses of the individual entities now comprising part of the former Argyll group as if they had been members of the group throughout the fifteen month period. The financial information included below has been extracted from the audited accounts of the individual companies on a time apportionment basis, and excludes exceptional and extraordinary items and interest. In preparing this analysis, no account has been taken of the turnover and trading profit of Freezer Fare and Pricerite stores prior to their acquisition, as comparable trading information on these is not available.

	Pro forma information on 15 month period ended 28th March, 1981 Turnover	Trading profit before group expenses
	£000	£000
Food manufacturing	19,915	721
Edible oil refining	32,361	1,419
Food distribution:		
—grocery retail and wholesale	172,925	2,985
—freezer centres	45,323	1,135
	270,524	6,260

Subsidiaries whose assets or results are now considered to be material to the former Argyll group are:

Company	Business	Date of incorporation	Issued share capital £
Oriel Foods Limited	Sub-holding company	6th February, 1969	1,579,407
Argyll Foods (Properties) Limited	Sub-holding company	20th November, 1939	3,442,692
Morgan Edwards Limited	Sub-holding company	28th March, 1968	334,286
Argyll Quality Foods Limited	Biscuit and cake manufacturer	15th June, 1965	622,000
Yorkshire Biscuits Limited	Biscuit manufacturer	14th September, 1971	18,000
Furnies & Co. Limited	Biscuit and confectionery manufacturer	17th July, 1886	240,000
Paterson's Scottish Shortbread Limited	Biscuit manufacturer	23rd November, 1935	37,849
Purdy Cakes Limited	Cake manufacturer	20th January, 1964	40,400
Gold Crown Foods Limited	Tea and coffee blenders	16th February, 1916	24,000
Liverpool Central Oil Company Ltd.	Edible oil refiner	27th September, 1904	344,000
Cordon Bleu Freezer-Food Centres Ltd.	Frozen food retailer	14th April, 1964	183,193
Snowking Frozen Foods Limited	Frozen food wholesaler	18th October, 1961	30,000
Lo-Cost Stores Limited	Grocery retailer	14th April, 1924	109,843
Edwards Meats Limited	Fresh meat retailer	24th May, 1963	10,000
Mojo Carryway Limited	Cash and carry wholesaler	9th February, 1967	350,975

The table set out above includes the former Argyll group's principal subsidiaries, all of which are wholly owned. All subsidiaries are incorporated in England, with the exception of Argyll Quality Foods Limited and Paterson's Scottish Shortbread Limited which are incorporated in Scotland.

(xiv) Restatement of accounts at 31st December, 1979

The consolidated statement of source and application of funds for the year ended 31st December, 1979 given in this report has been restated on the basis that the effective date of acquisition of a subsidiary, Morgan Edwards Limited, was 28th March, 1980 and not 31st December, 1979, as originally shown in the accounts to 31st December, 1979. Consequently, the reference to the accounting treatment of the acquisition of this subsidiary in the report of the auditor in the published accounts of the former Argyll group for the year ended 31st December, 1979 is not repeated in this report.

The turnover and operating profit of Morgan Edwards Limited for the three month period ended 28th March, 1980 are not included in the consolidated profit and loss account for the fifteen month period ended 28th March, 1981 given in this report.

5. CURRENT COST ACCOUNTS

The tables below set out the consolidated current cost balance sheet of the former Argyll group at 27th March, 1982, and the consolidated current cost profit and loss accounts for the two accounting periods then ended:

(a) Consolidated current cost profit and loss accounts

	Notes	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
		£000	£000
Turnover		102,030	229,759
Historical cost profit before taxation and interest, after group expenses		2,131	7,047
Historical cost profit on sale of a trading property		—	533
Current cost operating adjustments	(ii)	(745)	(2,054)
Current cost operating profit		1,386	5,526
Interest expense		(532)	(487)
Gearing adjustment	(iii)	292	640
Current cost profit before taxation		1,146	5,679
Taxation		—	(687)
Current cost profit before extraordinary items		1,146	4,992
Extraordinary items		(111)	(1,147)
Current cost profit attributable to shareholders		1,035	3,845
Dividends		(821)	(1,454)
Current cost retained earnings		214	2,391
Revenue reserves/(deficit) at beginning of period		(67)	147
Transfer to capital redemption reserve		—	(32)
Revenue reserves at end of period		147	2,506
Current cost earnings per share	(iv)	3.7p	11.7p

(b) Consolidated current cost balance sheet

	Notes	27th March, 1982	
		£000	£000
Assets employed:			
Fixed assets	(v)		32,523
Goodwill			8,136
Current assets:			
Stocks		27,750	
Debtors		8,162	
Cash		997	
		36,909	
Less: Current liabilities:			
Corporation tax		1,295	
Creditors		39,167	
Dividends		947	
Bank overdrafts (secured)		30	
		41,439	
Net current liabilities			(4,530)
			36,129
Financed by:			
Shareholders' funds:			
Share capital			5,249
Share premium			12,238
Capital redemption reserve			32
Revenue reserves			2,506
Current cost reserve	(vi)		9,325
			29,340
Deferred taxation			489
Deferred purchase consideration			300
Bank loans (secured)			6,000
			36,129

(c) Notes to current cost accounts

(i) Basis of accounting

The current cost accounts have been prepared in accordance with Statement of Standard Accounting Practice Number 16, adopting the accounting policies set out in paragraph 4 of this Appendix as modified below.

The current cost system, whilst not a system of accounting for general inflation, allows for price changes specific to the group when reporting assets employed and profits earned. The current cost operating profit is the surplus before interest and taxation arising from the ordinary activities of the business. It is determined after allowing for the impact of price changes on the net operating assets (fixed assets, stocks and monetary working capital) needed to maintain the operating capability of the former Argyll group. This result is achieved by making adjustments to trading profit before interest calculated on the historical cost basis. These adjustments are described in note (ii).

Corresponding amounts for the previous period are shown in values relating to that period, without further adjustment.

The current cost accounts can only give an approximate indication of the effects of inflation on the former Argyll group, and may show significant fluctuations from one period to the next.

(ii) Current cost operating adjustments

These comprise:

	Notes	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
		£000	£000
Depreciation	(a)	381	1,281
Cost of sales	(b)	868	1,945
Monetary working capital	(c)	(636)	(1,601)
Loss on sale of fixed assets	(d)	132	429
		745	2,054

(a) Depreciation adjustment:

This represents the difference between depreciation calculated on the closing fixed asset balance sheet values for current cost accounts purposes and depreciation charged in the historical cost accounts. It has been calculated by applying the former Argyll group's annual rates of depreciation to the estimated current cost of the assets employed. The estimated current cost has been arrived at by using relevant indices published by the Central Statistical Office which reflect the changes in input prices experienced by the former Argyll group. Asset lives were reviewed by the directors upon the introduction of current cost accounting and the lives used for the historical cost accounts were considered to be appropriate.

(b) Cost of sales adjustment:

This represents the difference between the historical cost of purchases or manufacture of goods sold and the estimated current cost of those goods at the time of sale. It has been computed by applying the averaging method using relevant indices published by the Central Statistical Office which reflect the changes in input prices experienced by the former Argyll group.

Stock has not been revalued in the balance sheet as any adjustment would not be material.

(c) Monetary working capital adjustment:

This represents the effect of price changes on the monetary working capital needed to support the operating capability of the former Argyll group. It is calculated on trade debtors and creditors using the averaging method and applying the price indices appropriate to stocks, debtors and creditors.

(d) Loss on sale of fixed assets:

This represents the difference between the historical and current cost net book values of fixed assets sold during the period.

(iii) Gearing adjustment

The gearing adjustment represents the proportion of the current cost operating adjustments which is financed by net borrowings rather than by shareholders' funds. It has been calculated on a group basis using the method illustrated in the Guidance Notes to the Statement of Standard Accounting Practice Number 16.

(iv) Current cost earnings per share

Current cost earnings per share are based on current cost profits before extraordinary items, less dividends on convertible preference shares, and the weighted average number of ordinary shares in issue during the period.

(v) Fixed assets

Freehold and leasehold properties are stated at their value to the business. This has been calculated by applying those specific indices published by the Central Statistical Office which are considered most appropriate to the business concerned, to valuations performed as at 28th March, 1981. These valuations were prepared on the basis of the estimated open market values of the properties in their existing use, mostly by personnel of Argyll's property department. However, properties with significant unit values were valued by external valuers who also carried out sample valuations of the retail properties in order to corroborate the internal valuations.

Plant, equipment and motor vehicles is stated at its value to the business, being the lower of indexed historic cost less accumulated depreciation and recoverable amount. Indexed historic costs are calculated using those specific indices published by the Central Statistical Office considered to be the most appropriate to the business concerned. No account has been taken of changes in the rate or availability of government grants.

Consolidated fixed assets at 27th March, 1982 comprise:

	Current cost	Accumulated depreciation	Net current cost value
	£000	£000	£000
Land and buildings	12,985	952	12,033
Plant, equipment and vehicles	38,974	18,484	20,490
	51,959	19,436	32,523

(vi) Current cost reserve

The current cost reserve at 27th March, 1982 comprises:

	£000
Surplus on revaluations of fixed assets	9,098
Write back of dilapidations provisions	588
Cost of sales adjustment	2,813
Monetary working capital adjustment	(2,287)
Gearing adjustment	(887)
	9,325

The current cost reserve represents the amounts set aside by the former Argyll group to maintain the operating capability of its business to the extent that this has not already been allowed for in the historical cost accounts.

Yours faithfully,
ARTHUR ANDERSEN & CO.
Chartered Accountants.

APPENDIX II

ACCOUNTANTS' REPORT ON THE ALLIED GROUP

The following is a copy of a report on the Allied group received from Price Waterhouse, Chartered Accountants:

The Directors,
Argyll Foods PLC,

Southwark Towers,
32 London Bridge Street,
London SE1 9SY.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

We have examined the audited financial statements of Allied Suppliers Limited ("Allied") and its subsidiaries (together the "Allied group") for the five accounting periods ended 3rd April, 1982. These financial statements were prepared under the historical cost convention as modified by the revaluation of certain land and buildings. The principal operating subsidiaries in the Allied group are set out in note (xiv) in paragraph 4 of this report.

Throughout the period covered by this report, Allied was a wholly owned subsidiary of Allied Suppliers (Holdings) Limited ("Allied (Holdings)") which itself is a wholly owned subsidiary of Generale Occidentale, a company incorporated in France. We have been auditors of all companies in the Allied group for all periods relevant to this report.

In our opinion, the financial information set out below, which has been prepared from the audited financial statements after making such adjustments as we consider appropriate, gives, under the modified historical cost convention, a true and fair view of the state of affairs of the Allied group at 3rd April, 1982 and of the profits and source and application of funds of the Allied group for the five periods then ended.

No audited financial statements for any of the companies in the Allied group have been prepared in respect of any period since 3rd April, 1982.

1. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The table below summarises the results of the Allied group for the five accounting periods ended 3rd April, 1982 on the following bases:

(i) the results of the Allied group as published have been adjusted so as to include the results of Moores-Wrights Group Limited ("Moores-Wrights") and its subsidiaries (together the "Moores-Wrights group") for the entire five year period, because the Moores-Wrights group was acquired for shares and was managed by Allied throughout that period;

(ii) the profits before taxation of Alliance Property Holdings Limited ("Alliance") and its subsidiaries (together "the Alliance group"), and Argyle Securities Limited ("Argyle Securities") and its subsidiaries (together the "Argyle Securities group") since acquisition by Allied, which are included within profit before taxation, have also been separately identified at the foot of the table. These groups were acquired by Allied for shares, but the level and nature of their activities were significantly different prior to acquisition, and accordingly it has not been considered appropriate to include in the table the profits of these groups prior to their acquisition by Allied.

	Notes	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
		£000	£000	£000	£000	£000
Turnover:						
Presto division		166,677	202,524	267,608	376,142	434,969
Liptons division		359,737	366,330	379,515	404,804	411,760
		526,414	568,854	647,123	780,946	846,729
Trading profit:						
Retailing		9,375	7,178	9,701	10,230	11,565
Property income and disposals:						
Profit on sale of surplus trade properties and on supermarket developments		909	4,407	3,910	3,976	2,430
Profit on sale of non-trade properties and non-recurring profits		—	—	337	808	350
Rental income less expenses		(87)	(365)	436	468	(40)
		10,197	11,220	14,384	15,482	14,305
Net interest receivable/(payable)	(ii)	1,212	1,803	3,050	(164)	870
		11,409	13,023	17,434	15,318	15,175
Net profit on sale and leaseback of certain properties		2,202	—	1,490	—	493
Profit before taxation		13,611	13,023	18,924	15,318	15,668
Taxation (charge)/credit	(iii)	(5,162)	2,160	518	(68)	3
Profit after taxation		8,449	15,183	19,442	15,250	15,671
Minority interest		—	—	—	(13)	(28)
Extraordinary items	(v)	635	550	—	—	—
		9,084	15,733	19,442	15,237	15,643
Dividends		(18,301)	(20,840)	(17,001)	(20,968)	(27,000)
Transfer to/(from) reserves		(9,217)	(5,107)	2,441	(5,731)	(11,357)
Earnings per share	(vi)	32.0p	57.4p	64.4p	45.8p	41.4p
Retail trading profit is stated after charging:						
Management charges paid to Allied (Holdings)		666	348	1,310	1,450	1,600
Depreciation		2,796	3,458	4,107	5,305	6,290
Profit before taxation includes the following profits:						
The Alliance group since acquisition	(xiv)	—	—	1,371	3,023	1,348
The Argyle Securities group since acquisition	(xiv)	—	—	—	219	919

2. CONSOLIDATED BALANCE SHEET

	Notes	3rd April, 1982	
		£000	£000
Assets employed:			
Fixed assets	(vii)		107,370
Goodwill			260
Premium on debt	(viii)		1,389
Property assets held for sale	(i)		2,601
			111,620
Current assets:			
Stocks		80,152	
Debtors		8,887	
Property assets held for sale	(i)	3,736	
Net amount due from Generale Occidentale group companies		27,171	
Bank balances and cash		14,319	
		134,265	
Less: Current liabilities:			
Creditors and provisions		108,316	
Loan capital repayable within one year	(x)	4,525	
Taxation		987	
Ordinary dividend		27,000	
		140,828	
Net current liabilities			(6,563)
			105,057
Financed by:			
Shareholders' funds:			
Share capital	(ix)		18,918
Share premium			41,556
Revenue reserves			6,246
			66,720
Loan capital	(x)		35,057
Provision for unfunded pensions	(xi)		3,233
Minority interest			47
			105,057

3. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The table below includes the Moores-Wrights group as part of the Allied group for the entire five year period. The effects of acquisitions (excluding the acquisition by Allied of the Moores-Wrights group) and disposals during the five years are shown below.

	Notes	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
		£000	£000	£000	£000	£000
Source of funds						
Profit before taxation		13,611	13,023	18,924	15,318	15,668
Extraordinary items before taxation		622	550	—	—	—
Depreciation		2,796	3,458	4,107	5,305	6,290
Write-off of premium on debt		—	—	—	28	83
		17,029	17,031	23,031	20,651	22,041
Issue of share capital		—	—	12,361	23,228	—
Movement on minority interest		—	—	7	(2)	—
Disposal of fixed assets and of assets held for sale:						
Trade properties and other fixed assets		6,447	5,640	4,243	5,009	3,982
Non-trade properties		—	—	4,584	4,199	7,085
Provision for unfunded pensions		—	—	41	36	58
Taxation and group relief		444	—	303	188	2
Lease loan capital		443	1,975	461	3,533	1,369
Other loan capital		—	—	17,881	3,861	—
Working capital decrease	(xii)	8,082	3,185	7,305	—	4,972
Total source of funds		32,445	27,831	70,717	65,688	39,912

ARGYLL FOODS PLC

ARGYLL FOODS PLC *Continued*

		1978	1979	1980	1981	1982
Application of funds:						
Premium on debt arising on acquisition of Argyle Securities		—	—	—	1,500	—
Purchase of fixed assets and of assets held for sale:						
Trade properties and other fixed assets		7,877	14,826	27,798	22,835	30,987
Non trade properties				15,404	314	21
Repayment of loans		1,096	39	476	54	1,168
Taxation and group relief payments		652	2,668	87	419	152
Generale Occidentale group companies		8,350	(12,774)	(2,686)	23,730	(5,060)
Working capital increase	(xii)	—	—	—	907	—
Dividends paid		11,101	27,301	25,840	16,569	7,400
Total application of funds		28,976	32,055	65,889	66,328	34,668
Increase/(decrease) in bank balances		3,469	(4,224)	4,826	(640)	5,245
Effects of acquisitions and disposals:	(xiv)					
Sources of funds:						
Extraordinary items before taxation		335	—	—	—	—
Issue of share capital		—	—	12,361	23,223	—
Acquisition of minority interest		1	—	7	—	—
Disposal of fixed assets		499	—	—	—	—
Taxation and group relief		—	—	673	178	—
Other loan capital		—	—	17,881	8,361	—
Working capital decrease		2,868	—	—	—	—
Total source of funds		3,702	—	30,922	31,762	—
Application of funds:						
Premium on debt arising on acquisition of Argyle Securities		—	—	—	1,500	—
Purchase of fixed assets and of assets held for sale:						
Trade properties and other fixed assets		—	—	11,447	—	—
Non trade properties		—	—	15,404	—	—
Generale Occidentale group companies		3,398	—	—	3,771	—
Working capital increase		—	—	9,104	2,029	—
Total application of funds		3,398	—	35,955	7,300	—
Increase/(decrease) in bank balances		304	—	(5,033)	24,462	—

4. NOTES TO THE FINANCIAL STATEMENTS

(i) Accounting policies

Basis of consolidation

The consolidation comprises Allied and all its subsidiaries. With regard to acquisitions and disposals, the consolidated profit and loss account includes (except as regards the Moores-Wrights group) only that proportion of the results of companies acquired arising since effective date of control or, in the case of companies or interests disposed of, for the period of ownership.

Goodwill

The excess of consideration paid over the values attributed to net tangible assets acquired is written off in the year of acquisition except where goodwill is already included in the accounts of the company acquired as a result of acquisitions made by that company. Where reorganisation of newly acquired businesses is necessary, provisions are set up at acquisition to meet the estimated cost of reorganisation, including trading losses of operations scheduled for closure, after taking into account anticipated taxation relief.

Deferred taxation

Deferred taxation is provided at current rates of tax on timing differences only where it is expected that a taxation liability may arise in the foreseeable future.

Fixed assets

Fixed assets are stated at cost or 1972 valuation. Plant, machinery and equipment which are leased but provide the group with substantially all the benefits and risks of ownership are capitalised at the original cost to the lessor.

Depreciation is provided on a straight line basis and is calculated from the date of original purchase, lease or subsequent valuation. The book amounts of fixed assets are written off over their estimated useful lives. With effect from 2nd April, 1978, provision has been made for depreciation on freehold and long leasehold buildings.

Depreciation is not provided on land, or on freehold and long leasehold buildings held for sale.

The depreciation rates are arrived at using the following estimated useful lives for the main categories of fixed assets:

Freehold buildings — life not exceeding 100 years.

Leasehold buildings — life not exceeding the shorter of residual life of lease or 100 years. The surplus on revaluation of leasehold properties with a rent review clause is written off over the period to the next rent review date.

Fixtures, plant and equipment — lives of between 4 and 15 years.

Profits arising on sale and leaseback of properties developed as supermarkets are included in trading profit, within "Property income and disposals".

Property assets held for sale

Property assets held for sale comprise properties not employed in mainstream activities and which are held for disposal in the future. Where contracts have been signed for the disposal of these assets prior to the latest practicable date before finalising the accounts, the assets have been included in current assets at the lower of net book amounts and net sales proceeds.

Stock valuation

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value. For branch stocks, cost is calculated by reference to selling price less appropriate trading margins; for all other stocks, cost is determined on the basis of first in, first out.

Foreign currencies

Net tangible assets and results of overseas companies are expressed in sterling at the rates of exchange ruling at the year end. Exchange differences arising on the translation of foreign currency assets and liabilities are dealt with through reserves.

Pensions

A pension scheme covering the majority of employees of the Allied group is operated by Allied (Holdings). Current contributions to pension funds are charged against profits as payments are due. The assets of the scheme are held completely independently of Allied's finances and the scheme was fully funded at the most recent actuarial valuation at 1st April, 1980.

Turnover

Turnover represents sales to third parties excluding value added tax.

(ii) Net interest receivable/(payable)

	1978	1979	1980	1981	1982
	Periods ended on or about 31st March,				
	£000	£000	£000	£000	£000
Interest receivable:					
Third parties	464	213	533	1,070	948
Generale Occidentale group companies	1,552	2,456	3,979	2,640	4,948
	2,016	2,669	4,512	3,710	5,896
Interest payable:					
Bank overdrafts and loans wholly repayable within five years	47	166	328	573	1,075
Other	459	401	877	3,044	3,606
Unfunded pensions (see note (xi))	298	299	257	257	345
	804	866	1,462	3,874	5,026
Net interest receivable/(payable)	1,212	1,803	3,050	(164)	870

(iii) Taxation

The taxation (charge)/credit comprises:

	1978	1979	1980	1981	1982
	Periods ended on or about 31st March,				
	£000	£000	£000	£000	£000
United Kingdom corporation tax at 52%	(3,171)	1,923	(35)	(42)	—
Relief for overseas taxation	26	—	55	42	—
Overseas taxation	(95)	(73)	(74)	(42)	—
Deferred taxation	208	(1)	(48)	16	—
Group relief (payable)/receivable	(3,317)	—	673	—	—
Prior period adjustments	76	311	(32)	(43)	3
	(6,162)	2,160	518	(68)	3

Taxation on the profits of the periods has been reduced/(increased) by:

	1978	1979	1980	1981	1982
	Periods ended on or about 31st March,				
	£000	£000	£000	£000	£000
Group relief received from another Generale Occidentale group company for no consideration	—	—	3,447	396	—
Stock appreciation relief	—	—	—	6,534	3,305
Current year movement on deferred taxation not provided	1,165	9,889	5,283	(716)	3,834
Capital losses utilised	—	—	163	32	153
	1,165	9,889	8,893	6,246	7,342

(iv) Deferred taxation

Long term deferred taxation at 3rd April, 1982 calculated at current rates of tax, which is not provided, comprises the following:

	£000
Accelerated tax depreciation	25,947
Capital gains	3,859
Other timing differences (net)	(539)
Losses available for relief (£22.4 million gross)	(11,646)
Advance corporation tax recoverable	(1,619)
	15,002

On change of ownership of Allied from the Allied (Holdings) tax grouping, tax losses available for relief included above of approximately £8.8 million (£22.3 million gross) will be utilised, and the advance corporation tax recoverable of £1,619,000 will also cease to be available for set off against any future corporation tax liabilities.

(v) Extraordinary items

	1978	1979	1980	1981	1982
	Periods ended on or about 31st March,				
	£000	£000	£000	£000	£000
Reorganisation profits	300	550	—	—	—
Net profit on disposal of subsidiaries and trade investments	335	—	—	—	—
	635	550	—	—	—
Extraordinary items are stated after taxation relief of	12	—	—	—	—

(vi) Earnings per share

Earnings per share for each period are based upon the profits attributable to the ordinary shareholders, being profits after taxation and minority interest and before extraordinary items, and the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue has been adjusted as appropriate so as to include for each period 3,960,272 ordinary shares issued in connection with the acquisition of the Moores-Wrights group.

(vii) Fixed assets

At 3rd April, 1982 fixed assets comprise:

	Cost	1972 valuation	Accumulated depreciation	Net book amount
	£000	£000	£000	£000
Land and buildings:				
Freehold	12,534	3,338	768	15,484
Long leasehold (not less than 50 years unexpired)	19,854	1,519	916	20,457
Short leasehold (less than 50 years unexpired)	29,330	390	3,510	26,210
	61,708	5,247	4,794	62,161
Fixtures, plant and equipment:				
Owned	52,901	—	20,353	32,548
Leased	15,028	—	2,367	12,661
	67,929	—	22,720	45,209
Total	129,637	5,247	27,514	107,370

(viii) Premium on debt

Premium on debt represents the excess of consideration paid over nominal value of long term debt on the acquisition of Argyle Securities. The premium is being amortised over the term of the debt.

(ix) Share capital

The share capital of Allied at 3rd April, 1982 comprises:

	Number	Amount £000
Ordinary shares of 50p each, issued and fully paid	37,635,907	18,918
Authorised share capital	40,000,000	20,000

(x) Loan capital

	Interest rates %	3rd April, 1982 £000
Allied:		
Unsecured loan stocks		
1982/87	6	3,146
1992/2007	6¾	2,172
Bank loan (unsecured) 1982/87	variable	10,000
Lease loan capital	variable	8,295
		23,613
Subsidiaries:		
Secured loan stocks		
1984/89	8¼	484
1986/91	7¾	2,801
1992/97	9¾	3,823
1992/97	10¼	178
1993/98	12	8,163
Bank loan (unsecured) 1985/86	variable	500
		39,582
Less: Amounts repayable within one year		4,525
		35,057

Loan capital by year of repayment:	Bank £000	Other £000
From one to two years	1,800	2,022
From two to five years	5,900	3,255
Over five years	1,000	21,080
	8,700	26,357
		35,057

(xi) Provision for unfunded pensions

A provision for unfunded pensions is maintained to meet Allied's commitment to certain employees in respect of service prior to their participation in Allied's pension arrangements. Allied credits interest annually to this provision in accordance with an actuarial recommendation (see note (ii) above).

(xii) Working capital

Working capital movements within the consolidated statements of source and application of funds are as follows:

	1978	1979	1980	1981	1982
	Periods ended on or about 31st March,				
	£000	£000	£000	£000	£000
Stocks	7,199	(11,557)	(7,905)	(12,825)	(1,888)
Debtors	(3,535)	1,601	(4,328)	1,639	658
Creditors	4,003	12,846	21,062	8,713	8,904
Property assets held for sale	(254)	318	(1,318)	668	(2,702)
Currency translation differences	(51)	(33)	(156)	(2)	—
(Increase)/decrease in working capital	8,062	3,185	7,305	(907)	4,972

(xiii) Current cost accounts

As Allied is a wholly owned subsidiary of another U.K. company, no current cost information under Statement of Standard Accounting Practice Number 16 has been prepared for the Allied group.

(xiv) Principal subsidiary companies and changes in group structure

Subsidiary companies whose assets and results are considered to be material to the Allied group are set out below. All are wholly owned, with the exception of Deltadeen Limited which is 51 per cent. held, and all are incorporated in England, with the exception of Argyle Securities Limited which is incorporated in Scotland.

Company	Business	Date of incorporation	Issued share capital £
Argyle Securities Limited	Holding company	15th May, 1959	5,717,333
Allied Suppliers (Properties) Limited	Property holding	7th March, 1938	4,700,002
Allied Suppliers (Overseas) Limited	Food retailing	3rd October, 1924	15,000
Federated Properties Limited	Property holding	19th July, 1939	300,000
Edwin Gowers & Son Limited	Food retailing	12th December, 1955	393,650
Moores Stores Limited	Food retailing	24th May, 1935	5,899,532
Alliance Property Holdings Limited	Holding company	2nd June, 1967	2,726,406
Alliance Property Company Limited	Property investment	4th March, 1933	6,037,875
Deltadeen Limited	Food retailing	19th October, 1979	10,000

The Allied group made the following significant acquisitions and disposals during the five accounting periods ended 3rd April, 1982:—

(a) With effect from the 2nd April, 1977 Allied sold its food manufacturing subsidiary TW Beach Limited to Cavenham Limited (since renamed Allied (Holdings)) for £3.6 million.

(b) On 12th June, 1979 Allied acquired the Alliance group, a property investment group with quoted loan stocks, from Cavenham Limited for £12.35 million, the consideration being satisfied by the issue of 4,550,000 ordinary shares of Allied.

(c) In January, 1980 Allied acquired the Caters supermarkets division of Debenhams Limited for a cash consideration of £9.5 million.

(d) On 1st December, 1980, Allied acquired the Moores-Wrights group, a supermarket group, from Allied (Holdings) for £13.65 million, the consideration being satisfied by the issue of 3,960,272 ordinary shares of Allied of which 356,505 shares were not issued until September, 1981.

(e) On 1st December, 1980, Allied acquired the Argyle Securities group from Argyle Securities (Holdings) Limited, which is wholly owned by Allied (Holdings), for £23.22 million, the consideration being satisfied by the issue of 5,739,115 ordinary shares of Allied. When acquired, Argyle Securities owned liquid assets and had quoted loan stocks. Upon acquisition by Allied, Argyle Securities acquired the principal retail property subsidiary of Allied. Dividends of £1,441,000 in the 52 weeks ended 28th March, 1981, receivable by Argyle Securities from that subsidiary, have not been included in the profits before taxation shown for Argyle Securities in the table of consolidated profit and loss accounts.

Yours faithfully,
PRICE WATERHOUSE
Chartered Accountants.

APPENDIX III
PRO FORMA FINANCIAL INFORMATION ON THE NEW ARGYLL GROUP

1. INTRODUCTION

The pro forma net assets and profit of the combined new Argyll group are set out in paragraphs 3 and 5 below respectively. In view of the relative contributions by Argyll and Allied to net assets and profit of the combined group in the context of the Offer for Sale of shares in the enlarged undertaking, the pro forma information set out in this Appendix combines the amounts included in the existing accounts of each company. For the purposes of illustration, the tables in paragraphs 3 and 5 indicate the effects on net assets, profit and earnings per share of striking prices for the 95 million new ordinary shares of Argyll at both the minimum of 85p and the maximum of 100p per share.

Year to end March, 1982 refers respectively to the fifty two week period ended 27th March, 1982 for the former Argyll group and the fifty three week period ended 3rd April, 1982 for the Allied group.

2. CONSIDERATION

The consideration payable to Allied (Holdings) will amount to £101.2 million. In addition, interest will be payable on this consideration at a rate of approximately 14 per cent. per annum in respect of the period 19th April, 1982 to the date of settlement. On the basis of the expected settlement date of 16th June, 1982, this interest will amount to approximately £2.5 million. This figure, together with the profits arising after the respective balance sheet dates, has been ignored in the pro forma net assets set out in paragraph 3 below.

Prior to the exchange of contracts for the purchase of Allied by Argyll, Allied distributed to Allied (Holdings) a dividend of £27.0 million which was applied in part repayment of net amounts due from Generale Occidentale group companies.

The 95 million new ordinary shares are being allotted to Allied (Holdings), which is renouncing them to Samuel Montagu. Samuel Montagu is offering these shares for sale by tender to the public at a price of between a minimum of 85p per share and a maximum of 100p per share. The gross cash proceeds of the Offer for Sale, which will therefore vary between £81 million and £95 million, will represent part satisfaction of the consideration payable to Allied (Holdings). The balance of the consideration of £101.2 million together with estimated expenses of £3.7 million will be financed by term loans, which will accordingly vary between £24 million and £10 million.

The table in paragraph 6 below summarises the effects of a range of striking prices of the new ordinary shares on the amount of the term loans, the interest thereon and the profit of the combined new Argyll group.

3. PRO FORMA NET ASSETS

The audited balance sheet of the former Argyll group (see paragraph 2 of Appendix I) and the audited balance sheet of the Allied group (see paragraph 2 of Appendix II), together with pro forma balance sheets of the combined new Argyll group, are shown below:

	Notes	Former Argyll group 27th March, 1982	Allied group 3rd April, 1982	Combined new Argyll group (pro forma) Striking price 85p	100p
		£m	£m	£m	£m
Assets employed:					
Fixed assets	(i)	26.7	107.4	133.1	133.1
Goodwill		8.1	0.2	8.3	8.3
Premium on debt		—	1.4	1.4	1.4
Property assets held for sale	(iii)	—	2.6	2.5	2.6
Current assets:					
Stocks		27.7	80.1	107.8	107.8
Debtors		8.2	8.9	17.1	17.1
Net amount due from Generale Occidentale group	(ii)	—	27.2	—	—
Property assets held for sale	(iii)	—	3.7	3.7	3.7
Bank balances and cash	(iv)	1.0	14.3	15.5	15.5
		36.9	134.2	144.1	144.1
Less: Current liabilities:					
Corporation tax		1.3	1.0	2.3	2.3
Creditors		39.7	108.3	148.0	148.0
Loan capital repayable within one year			4.5	4.5	4.5
Dividends	(iv)	0.9	27.0	0.9	0.9
Bank overdrafts (secured)		0.1	—	0.1	0.1
		42.0	140.8	155.8	155.8
Net current liabilities		(5.1)	(6.6)	(11.7)	(11.7)
		28.7	105.0	133.7	133.7
Financed by:					
Shareholders' *funds:*					
Share capital	(v)	5.2	18.9	14.7	14.7
Share premium		12.3	41.6	12.3	12.2
Capital reserve (non-distributable)	(vi)	—	—	26.9	41.1
Capital redemption reserve		0.1	—	0.1	0.1
Revenue reserves		4.4	6.2	10.6	10.6
		21.9	66.7	64.5	78.7
Minority interest		—	0.1	0.1	0.1
Deferred taxation		0.5	—	0.5	0.6
Loan capital	(vii)	6.0	35.0	65.1	50.9
Deferred purchase consideration		0.3	—	0.3	0.3
Provision for unfunded pensions		—	3.2	3.2	3.2
		28.7	105.0	133.7	133.7

Notes:

The pro forma balance sheet of the new Argyll group has been based on a combination of the first two columns above but adjusted as indicated in certain of the notes below:

(i) Fixed assets

The fixed assets of the Allied group include property of approximately £62 million, stated at cost or 1972 valuation, less depreciation. Details of the valuation of certain freehold and long leasehold properties, which indicates a surplus of £15.9 million over book values, are set out in Appendix IV.

(ii) Net amount due from Generale Occidentale group

The net amount due from Generale Occidentale group has been eliminated to reflect its repayment in cash prior to the exchange of contracts for the acquisition of Allied (see note (iv) below).

(iii) Property assets held for sale

Property assets held for sale comprise mainly properties which are not employed in the new Argyll group's retail trade. Property assets held for sale shown in current assets include properties with a book value of £3.2 million which, subject to certain conditions, will be sold to Allied (Holdings) for a sum of £3.6 million on completion of the acquisition of Allied.

(iv) Bank balances and cash

	£m
Former Argyll group	1.0
Allied group	14.3
Received from Generale Occidentale group in repayment of sums owing prior to contract (see note (ii) above) being £27.2 million, less dividends paid of £27.0 million	0.2
	15.5

(v) Share capital

The share *capital of Argyll has been adjusted to reflect the issue of the new ordinary shares, as set out in* paragraph 1 *of* Appendix V.

(vi) Capital reserve (non distributable)

	Striking price 85p	100p
	£m	£m
Representing:		
Share capital of Allied	18.9	18.9
Share premium of Allied	41.6	41.6
	60.5	60.5
Less:		
Nominal amount of shares issued by Argyll	(9.5)	(9.5)
Cash element of the consideration, at striking prices of 85p and 100p, together with estimated expenses of the acquisition and Offer for Sale	(24.1)	(9.9)
	(33.6)	(19.4)
	26.9	41.1

New ordinary shares in Argyll issued as part of the consideration are stated at their nominal value in determining the non distributable capital reserve of the combined new Argyll group. The distributable revenue reserves of the combined new Argyll group represent the aggregate of the distributable revenue reserves of the former Argyll group and of the Allied group.

(vii) Loan capital

	Striking price 85p	100p
	£m	£m
Former Argyll group	6.0	6.0
Allied group	35.0	35.0
New term loans required to finance the cash element of the purchase consideration and the estimated expenses (see paragraph 6 below)	24.1	9.9
	65.1	50.9

4. COMBINED STATEMENTS OF TURNOVER AND TRADING PROFITS

During the five accounting periods ended on or about 31st March, 1982 there have been significant changes in the financial structure and constituent parts of both the former Argyll group and the Allied group, and there have also been very substantial levels of dividends distributed by Allied with consequential material effects on interest received and paid. Accordingly it has not been considered informative to present a five year summary of the pro forma profits before and after taxation, and earnings per share, of the combined new Argyll group.

The table below therefore analyses turnover and trading profits of the former Argyll group and the Allied group, and excludes interest. It also excludes those property profits which have either been disclosed as exceptional in the accounts of the two groups, or which relate to the sale of non-trading properties or which are otherwise of a non-recurring nature.

The results of the former Argyll group, as analysed in paragraph 1 of Appendix I, have been adjusted to years ended on or about 31st March. Results of subsidiaries of the former Argyll group and of the Allied group (other than the Moores-Wright group) are accounted for as from their effective date of acquisition.

	1978	1979	1980	1981	1982
	Years ended on or about 31st March,				
	£m	£m	£m	£m	£m
Turnover:					
Former Argyll group					
Food manufacturing	—	—	2.2	4.5	15.3
Edible oil refining	—	—	—	3.5	23.2
Food distribution					
—grocery retail and wholesale	10.5	10.2	8.6	46.3	142.9
—freezer centres	—	—	12.8	36.3	48.4
Discontinued activities	9.5	9.3	6.4	—	—
	20.0	19.5	30.0	90.6	229.8
Allied group					
Presto division	166.7	202.5	267.6	376.1	435.0
Liptons division	359.7	366.3	379.5	404.8	411.8
	526.4	568.8	647.1	780.9	846.8
New Argyll group	546.4	588.3	677.1	871.5	1,076.6
Trading profits:					
Former Argyll group					
Food manufacturing	—	—	0.4	0.6	1.5
Edible oil refining	—	—	—	0.1	0.6
Food distribution					
—grocery retail and wholesale	0.1	0.1	0.2	0.5	3.5
—freezer centres	—	—	0.4	0.9	1.8
Discontinued activities	0.2	(0.1)	(0.1)	—	—
	0.3	—	0.9	2.1	7.4
Group expenses	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
	0.2	(0.2)	0.7	1.8	7.0
Allied group					
Retailing	9.4	7.2	9.7	10.2	11.5
Property income and disposals:					
Profit on sale of surplus trade properties and on supermarket developments	0.9	4.4	3.9	4.0	2.5
Rental income less expenses	(0.1)	(0.4)	0.4	0.5	(0.1)
	10.2	11.2	14.0	14.7	13.9
Combined trading profits before interest and before certain property profits, amounting in 1982 to £1.4 million, which are either disclosed as exceptional, or relate to the sale of non-trading properties or are otherwise of a non-recurring nature	10.4	11.0	14.7	16.5	20.9

5. PRO FORMA PROFIT

The pro forma statement of annual profit of the combined new Argyll group set out below is based on a combination of the trading profit of the former Argyll group and of the Allied group for the year to end March, 1982 (as set out in paragraph 4 above). In order to calculate the pro forma profit of the combined new Argyll group that would have applied had Allied been part of the Argyll group during the period, adjustments have been made, in addition to the exclusion of certain property profits, to reflect the change of ownership and to deduct notional interest payable on the new term loans required to finance part of the consideration.

For illustration purposes, the effects of striking prices of 85p and 100p are shown. The effect on earnings per share of the different levels of borrowings required to make up the balance of the purchase consideration for the Allied group, following other possible proceeds from the Offer for Sale, is shown in paragraph 6.

	Profit before taxation of combined new Argyll group (pro forma) Striking price 85p	100p
	£m	£m
Combined trading profit of the new Argyll group (see paragraph 4 above)	20.9	20.9
Net interest income/(expense):		
Argyll (see paragraph 1 of Appendix I)	(0.5)	(0.5)
Allied (see paragraph 1 of Appendix II)	0.9	0.9
Pro forma adjustments:		
Add: Generale Occidentale group management charge deducted from Allied's profit in respect of expenses which it is estimated will not continue following the acquisition by Argyll (total charge of £1.6 million, less £0.3 million of continuing expenses) (see paragraph 1 of Appendix II)	1.3	1.3
Less: Notional interest on that element of Allied's 1981/82 dividend of £27.0 million relating to prior years' profits, amounting to £11.4 million, at an assumed interest rate of 15 per cent. (see paragraph 1 of Appendix II)	(1.7)	(1.7)
	(0.4)	(0.4)
Pro forma profit before interest on new term loans	20.9	20.9
Less: Interest on new term loans to finance part of consideration (see note (ii) below)	(3.6)	(1.5)
Pro forma profit before taxation	17.3	19.4
Less: Actual tax charge (see note (iii) below)	(2.0)	(2.0)
Pro forma profit after taxation of the new Argyll group	15.3	17.4
Pro forma earnings per share:		
After actual tax charge (see note (iii) below)	11.0p	12.5p
After notional full tax charge of 52%	6.0p	6.7p

Notes:

(i) The profit and earnings indicated above include a profit of £2.5 million arising from the sale of Allied's trade properties and from supermarket developments, but exclude an exceptional profit of £0.5 million arising from the sale by Argyll of a trading property for development purposes, and exclude profits of £0.9 million arising from the sale of properties not employed in the trade of Allied and non-recurring property profits.

(ii) Pro forma annual interest on the new term loans to finance part of the cost of the acquisition of Allied has been calculated at an annual rate of 15 per cent. No adjustment has been made in respect of the interest saved as a result of the recent sales of certain of Allied's properties which were not employed in its retail trade and from the proposed sale of further properties to Allied (Holdings) for £3.6 million. These savings will be partially offset by rental income forfeited.

(iii) The actual tax charge has been estimated on the basis that the mainstream corporation tax charge on profit for the combined new Argyll group will be insignificant. Owing to excess tax allowances and losses brought forward, the directors of Argyll consider it unlikely that the new Argyll group will have any significant mainstream *corporation tax liability for a number of years. The actual tax charge therefore comprises advance corporation tax* on dividends paid on the ordinary share capital and on the existing convertible preference share capital, assuming, for illustrative purposes, that ordinary dividends at the rate of 3.25p per share, being the rate paid on the former share capital in respect of the accounts for the 52 week period ended 27th March, 1982, had also been paid on the 95 million new ordinary shares being issued in connection with the acquisition of Allied. This advance corporation tax will be available to be offset against future mainstream corporation tax.

(iv) The earnings per share shown above allow for the conversion of the convertible preference shares, but not for the exercise of the warrants. Assuming that the warrants are exercised in full, the earnings per share on the basis of an estimated actual tax charge would increase slightly, assuming an interest saving at 15 per cent. per annum on the subscription monies received.

6. EFFECTS OF DIFFERING STRIKING PRICES

The table below sets out the effect of a range of striking prices for the new ordinary shares on the amount of new term loans and on the earnings per share, after both an actual tax charge and a notional full tax charge. Earnings per share have been determined after allowing for the conversion of the convertible preference shares, but not for the warrants to subscribe for ordinary shares (see note (iv) of paragraph 5 above).

Striking price of new ordinary shares (in multiples of 5p for illustration only)	85p (minimum striking price)	90p	95p	100p (maximum striking price)
	£m	£m	£m	£m
Proceeds from sale of 95 million new ordinary shares	80.8	85.5	90.2	95.0
New term loans required to finance balance of £101.2 million consideration and £3.7 million estimated expenses of the acquisition and Offer for Sale (see paragraph 4 of Appendix V)	24.1	19.4	14.7	9.9
	104.9	104.9	104.9	104.9
Pro forma profit before taxation and interest on new term loans (as referred to in paragraph 5 above)	20.9	20.9	20.9	20.9
Less: Interest on new term loans (see note (ii) of paragraph 5 above)	(3.6)	(2.9)	(2.2)	(1.5)
Pro forma profit before taxation	17.3	18.0	18.7	19.4
Less: Actual tax charge	(2.0)	(2.0)	(2.0)	(2.0)
Pro forma profit after taxation of the new Argyll group	15.3	16.0	16.7	17.4
Pro forma earnings per share:				
After actual tax charge	11.0p	11.5p	12.0p	12.5p
After notional full tax charge of 52%	6.0p	6.2p	6.5p	6.7p

7. LETTER RELATING TO THE PRO FORMA FINANCIAL INFORMATION

The directors of Argyll have received the following letter from Arthur Andersen & Co. relating to the pro forma financial information on the new Argyll group:

The Directors,
Argyll Foods PLC,

Bank House,
9 Charlotte Street,
Manchester M1 4EU.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

The pro forma financial information on the combined new Argyll group set out in paragraphs 3 to 6 of Appendix III of the Offer for Sale by tender by Samuel Montagu & Co. Limited of 95,000,000 ordinary shares of 10p each of Argyll Foods PLC, dated 4th June, 1982, ("the Prospectus") has been derived from the relevant financial information on the former Argyll group, which has been reported on by ourselves, and on the Allied group, which has been reported on by Price Waterhouse, as contained in Appendices I and II respectively of the Prospectus, after making the adjustments described in paragraphs 3 to 6 of Appendix III.

We have reviewed the adjustments made in preparing the combined financial information set out in those paragraphs and, in our opinion, such adjustments have been properly applied so as to reflect the effect of combining the two entities.

Yours faithfully,
ARTHUR ANDERSEN & CO.,
Chartered Accountants.

APPENDIX IV
ALLIED GROUP PROPERTY INFORMATION AND VALUATION

(a) Summary

The net book value of the Allied group's properties, stated at cost or 1972 valuation, less depreciation, at 3rd April, 1982 is summarised as follows:

	Notes	£000
Freehold and long leasehold properties, subject to valuation at 3rd April, 1982	(i)	16,925
Relevant improvements	(ii)	7,518
Freehold and long leasehold development properties	(iii)	12,990
Short leasehold properties (including relevant improvements)	(iv)	26,614
Properties warranted by or being purchased by Allied (Holdings)	(v)	3,925
Other properties		526
		68,498

The net book value of the Allied group's properties at 3rd April, 1982 is included in the consolidated balance sheet of the Allied group in paragraph 2 of Appendix II under the following headings:

	£000
Fixed assets (see note (vii) of paragraph 4 of Appendix II)	62,161
Property assets held for sale	2,601
Current assets—property assets held for sale	3,736
	68,498

ARGYLL FOODS PLC

dividend on the convertible preference shares down to such date of liquidation whether or not such dividend has been declared or earned. Save as aforesaid, on a winding-up or other repayment of capital, the assets available for distribution will be applied in repaying to the holders of the convertible preference shares the amounts paid up on such shares together with a sum equal to any arrears and accruals of the fixed dividend calculated down to the date of the return of capital and payable whether or not such dividend has been declared or earned. The convertible preference shares shall rank for dividends and, on a return of capital on liquidation or otherwise, in priority to any other shares for the time being in issue.

(v) The holders of convertible preference shares are entitled to receive notice of and to attend at any general meeting of Argyll. However, the holders of convertible preference shares are not entitled to vote at any such general meeting unless either (a) at the date of the notice convening the meeting the dividend on the convertible preference shares is six months in arrears and for this purpose such dividend shall be deemed to be payable on 30th June and 31st December in each year; or (b) the business of the meeting includes the consideration of a resolution for winding up Argyll or for a reduction in the capital of Argyll or any resolution directly and adversely modifying or abrogating any of the special rights or privileges attached to the convertible preference shares in which case they will only be entitled to vote at the meeting on any such resolutions. When entitled to vote as aforesaid, every holder of convertible preference shares shall upon a show of hands have one vote and upon a poll have such number of votes equivalent to the par value of each convertible preference share divided by the par value of each ordinary share in issue at the time in respect of each convertible preference share held by him.

(vi) No further shares ranking in priority to the convertible preference shares may be created or issued, but Argyll is entitled to issue further preference shares, whether convertible or otherwise, ranking as regards participation in profits or assets pari passu with the convertible preference shares, so long as the total nominal value of such preference capital immediately following the issue shall not exceed the nominal value of Argyll's issued ordinary share capital at that time.

(vii) Unless previously converted or redeemed, the convertible preference shares will be redeemed at par on 31st December, 1995.

(d) Executive share option scheme

On 27th October, 1980, following the approval of Argyll shareholders in general meeting, Argyll introduced a share option scheme for senior management. The rules of the scheme, which is known as "The Argyll Executive Share Option Scheme" ("the Scheme"), are set out in the circular to shareholders dated 10th October, 1980 (which is available for inspection) and are summarised as follows:

(i) Offers of participation may be made to such senior executives including executive directors as the board shall select.

(ii) The maximum number of ordinary shares in respect of which options may be granted under the Scheme is 2,058,000 being approximately 5 per cent. of the issued ordinary share capital (before allowing for the issue of shares in connection with the acquisition of Allied in June, 1982). This figure (but not the percentage) is subject to adjustment in the case of capitalisation or rights issues in such manner as the auditors shall certify to be in their opinion fair and reasonable. It is the intention of the directors of Argyll to seek the sanction of shareholders to increase this maximum figure in due course, such that the percentage will not exceed 5 per cent. of the enlarged issued ordinary share capital, following the acquisition of Allied.

(iii) The price ("subscription price") at which option holders may acquire shares on the exercise of options will be the greater of (a) the middle market quotation of Argyll's ordinary shares as indicated by the Daily Official List of The Stock Exchange for the last dealing day preceding the date of grant and (b) the nominal value. On the grant of an option, option holders will pay £1 and they will make their own arrangements to finance the subscription on the exercise of their options.

(iv) The value of shares (calculated by reference to the subscription price) in respect of which options may be granted to any one participant must not exceed a maximum of four times his annual emoluments at the date of grant of such option.

(v) Options will normally be granted within two months after announcement of the audited consolidated results of Argyll. No option may be granted after 26th October, 1990.

(vi) Options, which may not be transferred or assigned, will not normally be exercisable before the expiry of three years from the date of grant. Options will lapse at the expiry of seven years from the date of grant.

(vii) The shares allotted on exercise of an option will rank pari passu in all respects with the ordinary shares then in issue except that they will not rank for any dividend or distribution of Argyll announced prior to the date of exercise.

(viii) The basic structure of the Scheme cannot be altered to the advantage of participants without shareholders' prior approval.

Under current legislation, gains made by option holders on the exercise of options will be liable to an assessment to tax as earned income under Schedule E.

Options in respect of a total of 395,000 ordinary shares were granted at a price of 79p per share on 15th December, 1980 to two directors, Mr. D. F. Burditt and Mr. R. E. Semark, and five senior executives. Further options in respect of a total of 805,000 ordinary shares were granted at a price of 97p per share on 16th November, 1981 to one director, Mr. C. S. Lawrie, and 34 senior executives.

Options in respect of 60,000 ordinary shares have since lapsed owing to the departure from employment with Argyll of two senior executives.

A certificate of exemption under Section 39 of the Companies Act, 1948 has been given by the Council of The Stock Exchange in relation to the disclosure of the names and addresses of the holders of the options other than those named above.

2. BORROWINGS

As at the close of business on 22nd May, 1982, the former Argyll group and the Allied group had outstanding borrowings and cash balances as set out below. The table also includes the term loans to be drawn subsequent to that date to finance the acquisition of Allied and takes account of the dividend of £27.0 million paid by Allied to Allied (Holdings) on 10th May, 1982. The table ignores the cash receivable, estimated at £3.6 million, from the proposed sale of certain properties of Allied, as referred to in Appendix IV.

	£m
Borrowings:	
Former Argyll group:	
Bank overdrafts (secured)	0.1
Term loans (secured)	6.0
Deferred purchase consideration	0.4
	6.5
Allied group:	
Term loans	9.6
Loan stocks (of which £15.5 million is secured)	20.8
Lease loan capital	8.3
	38.7
Combined new Argyll group:	
Borrowings at 22nd May, 1982, as above	45.2
Maximum new term loans to be drawn to finance the cash element of the consideration for the acquisition of Allied and expenses	24.1
Estimated interest payable on consideration for Allied	2.5
Maximum combined borrowings of the new Argyll group	71.8
Bank balances and cash:	
Former Argyll group	0.9
Allied group (£5.6 million subject to loan stock restrictions of which £4.5 million is pending substitution of acceptable security by the new Argyll group)	24.7
Combined bank balances and cash of the new Argyll group	25.6

Save as disclosed above, and apart from intra-group indebtedness and guarantees, no company in the former Argyll group or in the Allied group had outstanding as at 22nd May, 1982, any mortgages, charges, debentures, term loans, loan capital or any loan capital created but unissued, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments or any guarantees or other material contingent liabilities.

3. WRITTEN CONSENTS

Arthur Andersen & Co., Price Waterhouse, Mr. N. J. M. Spurrier and Clive Lewis & Partners have given and have not withdrawn their written consents to the issue of this document with references to their names and to the inclusion of their relevant reports and letters in the form and context in which they respectively appear.

4. EXPENSES

The expenses payable by Argyll relating to the acquisition of Allied and to the Offer for Sale, including capital duty (at the minimum striking price) and underwriting commission, are estimated to amount to approximately £3.7 million (exclusive of value added tax), of which approximately £3.2 million is considered as relating to the Offer for Sale.

5. DISCLOSURE OF INTERESTS

(a) The interests of the directors, including family interests, (all beneficial unless otherwise stated) in the shares of Argyll, as they appear in the register maintained under Section 29 of the Companies Act 1967, as amended, are set out below:

	Ordinary shares	Convertible preference shares	Options to acquire ordinary shares
*J. G. Gulliver	—	—	—
†D. F. Burditt	—	—	100,000
C. M. Edwards	400,000	—	—
E. K. Edwards:			
beneficial	578,835	89,556	—
non-beneficial	14,669	11,341	—
*M. A. Grant	—	—	—
C. S. Lawrie	—	—	100,000
H. M. Plowden Roberts	—	—	—
*R. E. Semark	—	—	100,000
*D. G. C. Webster	—	—	—

*Mr. J. G. Gulliver, Mr. M. A. Grant, Mr. D. G. C. Webster and Mr. R. E. Semark are directors and shareholders of JGA, whose wholly owned subsidiary James Gulliver Associates Investments Limited ("JGAI") holds a 51.9 per cent. interest in Gulliver Foods.

† Mr. D. F. Burditt is a director of Gulliver Foods.

The interests of those directors of Argyll, who are also directors of JGA, and their families in JGA are as follows:

	Per cent. of issued ordinary capital
J. G. Gulliver	66.3
M. A. Grant	13.5
D. G. C. Webster	10.6
R. E. Semark	3.8

The table below sets out the aggregate shareholdings of Gulliver Foods and its associates, JGAI and Avonmiles Limited ("Avonmiles"), a wholly owned subsidiary of Gulliver Foods, in the present share capital of Argyll:

Ordinary shares	Convertible preference shares
8,859,615 (21.0%)*	358,850 (34.1%)

*Reducing to 6.5%, following the issue of shares in connection with the acquisition of Allied, before allowing for any new ordinary shares that may be acquired by Gulliver Foods under the Offer for Sale.

The above excludes details of interests in warrants which will be issued to the Argyll shareholders, following completion of the acquisition of Allied.

Gulliver Foods participated in the sub-underwriting of the new ordinary shares to the extent of 1,100,000 ordinary shares, as referred to in paragraph 6(xv) below.

(b) Gulliver Foods has been appointed consultant to Argyll under an agreement expiring on 4th February, 1984. In the fifty two week period ended 27th March, 1982, Gulliver Foods received fees under this agreement amounting to £200,000. These fees are subject to annual review.

(c) An office in London was acquired by Gulliver Foods and is occupied by Argyll. It is proposed that it should be acquired by Argyll for a consideration, to be determined by an independent valuation, which will not exceed £50,000 or, in any event, its original total cost to Gulliver Foods.

Gulliver Foods agreed to acquire 8,832,499 ordinary shares of 25p each in Linfood Holdings Limited on 9th September, 1981. These shares were acquired by Argyll on 22nd September, 1981, being the settlement date for the purchase, subject to the approval of Argyll shareholders in general meeting. Gulliver Foods agreed to acquire the shares in the event that the shareholders did not approve the purchase.

Save as disclosed in this paragraph (c), no director of Argyll has any interest, direct or indirect, in any asset which, since 28th March, 1981, being the date of the last published accounts to be laid before shareholders in general meeting, has been or is proposed to be acquired, disposed of by or leased to Argyll or any of its subsidiaries.

(d) Save as disclosed in paragraph (b) above, no director has a material interest in any contract or arrangements with Argyll or any of its subsidiaries subsisting at the date hereof, which is significant in relation to the new Argyll group's business.

(e) Argyll has received notification that Mr. W. N. Cassel, a former director of Argyll, holds 2,167,538 ordinary shares, representing 5.1 per cent. of the issued ordinary share capital, before allowing for issue of the new ordinary shares.

Save for this interest, and the interests of Gulliver Foods and its associates referred to above, Argyll has not been notified of any other person holding a substantial part (that is, 5 per cent. or more) of the ordinary share capital of Argyll.

(f) The emoluments of the directors of Argyll in respect of the fifty two week period ended 27th March, 1982 amounted to £140,000, excluding the fees paid to Gulliver Foods, as described in paragraph (b) above. The emoluments of the directors of Argyll will not be affected by the acquisition of Allied.

(g) Mr. C. M. Edwards has a consultancy agreement with Argyll for a five year period expiring in April, 1985. Mr. C. S. Lawrie has a service agreement expiring on 31st March, 1983 with a subsidiary of Argyll. Mr. H. M. Plowden Roberts is a director of Allied (Holdings) and has a service agreement with Allied (Holdings). This agreement is terminable at 12 months' notice. It is the intention that Mr. H. M. Plowden Roberts will become a full time executive of the new Argyll group. Save as disclosed herein, no director of Argyll has a service agreement with Argyll or any of its subsidiaries which cannot be terminated without payment of compensation within a period of twelve months.

6. MATERIAL CONTRACTS

The following contracts (not being in the ordinary course of business) have been entered into within the last two years by the members of the new Argyll group and are or may be material:

(i) The agreements dated 6th October, 1980 between Argyll, Gulliver Foods, Avonmiles and JGAI whereby Gulliver Foods, Avonmiles and JGAI undertook to take up in full their entitlement to 936,637 ordinary shares in respect of the October, 1980 rights issue of 4,449,943 ordinary shares at a price of 54p per share.

(ii) The agreement dated 7th October, 1980 between Argyll and Samuel Montagu whereby Samuel Montagu agreed to underwrite the balance of the October, 1980 rights issue not agreed to be taken up by Gulliver Foods, Avonmiles and JGAI, for an underwriting fee amounting to 2 per cent. of the amount underwritten, out of which a fee was paid to Panmure Gordon & Co. and a fee of 1¼ per cent. to sub-underwriters.

(iii) The agreement dated 1st December, 1980 between Allied and Allied (Holdings) whereby Allied purchased all the issued share capital of Moores-Wrights, a holding company, from Allied (Holdings). The consideration of £13,647,100 was satisfied by the issue of 3,960,272 ordinary shares of Allied.

(iv) The agreement dated 1st December, 1980 between Allied and Argyle Securities (Holdings) Limited whereby Allied purchased all the issued share capital of Argyle Securities, an investment company, from Argyle Securities (Holdings) Limited, a fellow wholly owned subsidiary of Allied (Holdings). The consideration of £23.22 million was satisfied by the issue of 6,739,118 ordinary shares of Allied.

(v) The agreement dated 21st December, 1980 between Oriel and RCA International Finance Limited ("RCAIF") whereby Oriel acquired Argyll Foods (Properties) Limited, formerly Morris & David Jones Limited, from RCAIF for a consideration of £5.25 million in cash.

(vi) The agreement dated 22nd December, 1980 between Argyll and RCAIF whereby Argyll agreed to acquire Oriel from RCAIF for £19.5 million in cash.

(vii) The agreement dated 22nd December, 1980 between Argyll, Gulliver Foods, Avonmiles and JGAI whereby Gulliver Foods, Avonmiles and JGAI undertook to take up in full their aggregate entitlement to 2,622,558 ordinary shares in respect of the February, 1981 rights issue of 12,459,842 ordinary shares at a price of 65p per share.

(viii) The agreement dated 22nd December, 1980 between Samuel Montagu and Argyll whereby Samuel Montagu, in association with Noble Grossart Limited, agreed to underwrite the balance of the February, 1981 rights issue not agreed to be taken up by Gulliver Foods, Avonmiles and JGAI for an underwriting fee, amounting to 2½ per cent. of the amount underwritten, out of which Samuel Montagu paid a fee to Panmure Gordon & Co., and a fee of 2 per cent. to sub-underwriters.

(ix) The agreement dated 22nd December, 1980 between Samuel Montagu, Midland Bank plc and Argyll whereby Samuel Montagu and Midland Bank plc agreed to make available to Argyll a secured loan facility of £12 million. The facility is at a rate of interest, based on 1½ per cent. per annum over London Interbank Offered Rate and was originally repayable as to £4 million in February, 1983 and £2 million per annum from March, 1985. Note: Subsequently, £6 million of this loan was repaid on 27th March, 1981 and repayments of £2 million per annum are due from March, 1986.

(x) The offer by Argyll of 19th October, 1981 for the whole of the issued share capital of Linfood Holdings Limited; this offer subsequently lapsed following a reference to the Monopolies and Mergers Commission.

(xi) The agreement dated 9th October, 1981 between Argyll and Samuel Montagu and N. M. Rothschild & Sons Limited whereby Samuel Montagu and N. M. Rothschild & Sons Limited agreed to subscribe or procure subscribers for the 34,955,950 ordinary shares and 27,011,415 3¼ per cent. convertible preference shares of £1 each which would have been allotted to shareholders of Linfood Holdings Limited who elected to receive the alternative cash consideration under the offer referred to in (x) above. Total underwriting commissions of £747,000 were paid by Argyll, out of which fees were paid to Panmure Gordon & Co. and to sub-underwriters.

(xii) The Stock Exchange contracts relating to the purchase by Argyll of 13,272,987 ordinary shares of Linfood Holdings Limited over a period of time commencing on 9th September, 1981 and their subsequent sale on 12th November, 1981.

(xiii) The agreement dated 11th May, 1982 between Allied (Holdings) and Argyll whereby Argyll has agreed to acquire Allied from Allied (Holdings) for a consideration of approximately £101 million, together with interest thereon at approximately 14 per cent. per annum from 16th April, 1982, to be satisfied by the issue of the new ordinary shares of Argyll and the payment of cash as described in this document. This agreement contains normal warranties and indemnities by Allied (Holdings) with a provision that, until the aggregate claims thereunder total £1.25 million, no such claims will be made; the agreement also contains separate indemnities from Allied (Holdings) in relation to certain items of taxation.

(xiv) The agreement dated 10th May, 1982 between Samuel Montagu and Midland Bank plc and Argyll whereby Samuel Montagu and Midland Bank plc agreed to make available to Argyll secured loan facilities of up to £26 million. Of these facilities, £9 million is at a rate of interest based on 1¼ per cent. per annum over London Interbank Offered Rate and is repayable in six semi-annual instalments of £1.5 million commencing in December, 1983. The balance of £17 million of these facilities is at a rate of interest based on 1½ per cent. per annum over London Interbank Offered Rate and is repayable as to £3 million in two semi-annual instalments of £1.5 million commencing in December, 1986, as to £8 million in four semi-annual instalments of £2 million commencing in December, 1987 and as to £6 million in two semi-annual instalments of £3 million commencing in December, 1989. This agreement contains certain undertakings by Argyll in relation to the new Argyll group which will apply until repayment of the relevant loan. These undertakings include: (a) the maintenance of certain financial ratios relating to the levels of borrowings and net tangible assets of Argyll and its subsidiaries; (b) a restriction on the Allied group acquiring or disposing of any assets other than in arms length transactions in the open market; and (c) a restriction on the new Argyll group creating any further secured borrowing. Save with the consent of Samuel Montagu and Midland Bank plc, the loans will become immediately due and payable upon the occurrence of certain specified events including certain breaches of the agreement.

(xv) The agreement dated 11th May, 1982 between Samuel Montagu, Argyll and Allied (Holdings), whose registered office is at Cavenham House, By-Pass Road, Colnbrook, Slough, Berks, whereby Samuel Montagu undertook, subject, inter alia, to listing being granted for the new ordinary shares and also to the Offer for Sale proceeding, to purchase all the new ordinary shares of Argyll from Allied (Holdings) at the striking price for an underwriting fee payable by Argyll based on 2 per cent. of the amount underwritten (at the minimum striking price), out of which a fee of ¼ per cent. will be paid to Panmure Gordon & Co. and a fee of 1¼ per cent. to sub-underwriters. The amount of the underwriting fee, including the amount payable to sub-underwriters, increases at a rate of ⅛ per cent. per week or part thereof, to the extent that the underwriting period extends beyond 9th June, 1982. Gulliver Foods participated in the sub-underwriting to the extent of 1,100,000 ordinary shares.

(xvi) The agreement dated 10th May, 1982 between Midland Bank plc and Argyll whereby Midland Bank plc agreed to offer to Allied and certain of its subsidiaries a Revolving Loan and/or Acceptance Credit Facility of £15 million in order to refinance a loan of £10 million from Citibank NA, which loan may fall due for repayment on change of ownership of Allied, and to provide additional working capital. The loan is on similar interest terms to the Citibank facility and is repayable over a period of not less than 4½ years. In addition, this agreement contains certain undertakings in relation to the Allied group which will apply until repayment of the loan. These undertakings include (a) the maintenance of certain financial ratios relating to the levels of borrowing and net tangible assets of Allied and its subsidiaries; (b) a restriction on the Allied group acquiring or disposing of any assets other than in arms length transactions in the open market and (c) a restriction on the Allied group creating any further secured borrowings. Save with the consent of Midland Bank plc, the loan will become immediately due and payable upon the occurrence of certain specified events including certain breaches of the agreement.

7. ARTICLES OF ASSOCIATION

The Articles of Association of Argyll contain, inter alia, provisions to the following effect:

(a) Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any class of shares in the capital of Argyll, every member personally present or, if a corporation, present by a duly authorised representative, shall on a show of hands have one vote only and on a poll every member shall have one vote for every share held by him.

(b) The directors may exercise all the powers of Argyll to borrow money but shall restrict the borrowings of Argyll and exercise all rights exercisable by Argyll in relation to its subsidiaries so as to ensure that the aggregate principal amount outstanding of all monies borrowed by Argyll and its subsidiaries ("Argyll group"), excluding intra-group borrowings, shall not exceed, save with the previous sanction of an ordinary resolution of Argyll, an amount equal to two times the aggregate of the paid up share capital of Argyll and the total of the capital and revenue reserves of the Argyll group (as more particularly defined in the Articles of Association) after, inter alia, excluding any amount as having arisen in respect of intangible assets of the Argyll group as shown in a consolidation of the latest audited balance sheets of the members of the Argyll group, adjusted as may be necessary to take into account any company which has become a subsidiary of Argyll and any variation in the paid up share capital or in the share premium account of Argyll since the date of the latest audited balance sheet.

(c) The remuneration of all the directors shall be at the rate of £3,000 per annum or such sum as shall be determined from time to time by Argyll in general meeting which the directors shall divide among themselves as they think fit. Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of Argyll. Special remuneration may be granted by the directors to any member of the board who renders any special or extra services to Argyll, or who goes or resides abroad in connection with the conduct of any of the affairs of Argyll.

(d) A director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities or otherwise in or through Argyll and a director shall not be counted in a quorum at a meeting in relation to any resolution on which he is debarred from voting. However, a director shall be entitled to vote and be counted in a quorum in respect of:

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of Argyll or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of Argyll or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;

(iii) any proposal concerning an offer of shares, debentures or securities of or by Argyll or any of its subsidiaries in which he is or is to be interested as a participant in the underwriting or sub-underwriting;

(iv) any proposal concerning any other company in which he is interested directly or indirectly whether as an officer, member or otherwise provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company;

(v) any proposal concerning the adoption or modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon the Inland Revenue for taxation purposes.

(e) A director may be or may become a director or other officer of or otherwise interested in any company promoted by Argyll or in which Argyll may be interested as shareholder or otherwise and no such director shall be accountable to Argyll for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless Argyll otherwise directs.

(f) The directors may appoint one or more of their number to the office of managing director on such terms as they think fit. A director so appointed shall not, whilst holding that office, be subject to retirement by rotation.

(g) The directors may on behalf of Argyll pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with Argyll or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(h) The statutory provisions concerning an age limit for directors do not apply.

(i) There is no current requirement for directors to hold qualification shares.

8. LITIGATION

So far as the directors of Argyll are aware, neither Argyll nor any of its subsidiaries is engaged in any material litigation nor are there any claims of material importance pending or threatened against any company in the new Argyll group.

9. WORKING CAPITAL

The directors of Argyll are of the opinion that, having regard to bank overdraft and other facilities available, the new Argyll group has sufficient working capital for its present requirements.

10. MATERIAL CHANGES

Save as disclosed herein relating to the proposed acquisition of Allied, there has been no material change in the financial or trading position of the new Argyll group other than in the ordinary course of business since 27th March, 1982, the date to which the last audited accounts of Argyll were made up.

11. DOCUMENTS LODGED WITH REGISTRAR OF COMPANIES

ARGYLL FOODS PLC

Continued

(c) Applications for shares, including preferential applications, at prices less than the striking price will receive no allocation of shares.

(d) If applications are received for less than the total number of shares offered, the striking price will be the minimum tender price of 85p per share.

(e) The striking price and the basis of allocation will be announced on, or as soon as possible after, Monday, 14th June, 1982.

In the event that applications for new ordinary shares at or above the striking price are received for a total number of shares in excess of that available, such preferential applications will be accepted in full and other applications will be scaled down. No allocation will be made in respect of applications, whether preferential or otherwise, at prices tendered below the striking price.

In the event of excess applications from employees, the basis of allocation will be decided by Samuel Montagu.

6. Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the new ordinary shares of Argyll to the Official List not later than 24th June, 1982, and on completion of the acquisition of Allied by Argyll. Moneys paid in respect of applications will be returned if such conditions are not satisfied and in the meantime will be retained by Samuel Montagu in a separate account. If any application is not accepted or is accepted for fewer shares than the number applied for, or is made at a price higher than the striking price, the application moneys or the balance thereof (as the case may be) will be returned through the post at the applicant's risk. It is expected that Letters of Acceptance will be posted to successful applicants on Wednesday, 16th June, 1982.

7. Arrangements have been made for the registration by Argyll of the new ordinary shares now offered for sale, free of stamp duty, in the names of applicants or persons in whose favour Letters of Acceptance have been renounced, provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 30th July, 1982. Share certificates will be issued on 27th August, 1982.

8. No person receiving a copy of this Offer for Sale and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation could lawfully be made to him or such Form could lawfully be used without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.

Copies of this Offer for Sale with Forms of Application may be obtained from:

Samuel Montagu & Co. Limited,
New Issue Department,
Augustine House,
Austin Friars,
London EC2N 2JL.

Panmure Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS

Outside London, copies are available from the following:

Samuel Montagu & Co. Limited,
Phoenix House,
1-3 Newhall Street,
Birmingham B3 3NH

Samuel Montagu & Co. Limited,
St Ann's House,
St Ann's Place,
Manchester M2 7LP

Midland Bank plc,
49 Corn Street,
Bristol BS99 7PP

Midland Bank plc,
42 Grey Street,
Newcastle upon Tyne NE99 1LS

Clydesdale Bank PLC,
29 George Street,
Edinburgh EH2 2YN

Clydesdale Bank PLC,
30 St Vincent Place,
Glasgow G1 2HL

Examples of amounts payable at different tender prices:

Tender prices applied at (in multiples of 5p for illustration purposes only)

Number of shares applied for	85p	90p	95p	100p
200	£170	£180	£190	£200
600	510	540	570	600
1,000	850	900	950	1,000
5,000	4,250	4,500	4,750	5,000
10,000	8,500	9,000	9,500	10,000
25,000	21,250	22,500	23,750	25,000
50,000	42,500	45,000	47,500	50,000

Latest time for application and payment .... 10 a.m. on Thursday, 10th June, 1982
Latest time for registration of renunciation .... 3 p.m. on Friday, 30th July, 1982
Certificates posted .... 27th August, 1982

Please pin top left corner of cheque here

APPLICATION FORM

The application list for the ordinary shares now offered for sale will open at 10 a.m. on Thursday, 10th June, 1982 and may be closed at any time thereafter.

This Application Form when completed must be forwarded or handed in to Samuel Montagu & Co. Limited, New Issue Department, Augustine House, Austin Friars, London EC2N 2JL together with a cheque/bankers draft representing payment in full at the application price, so as to be received not later than 10 a.m. on Thursday, 10th June, 1982. A separate cheque or bankers draft must accompany each Application Form. Cheques and bankers drafts, which must be drawn in sterling on a bank in, and be payable in, the United Kingdom, must be made payable to "Samuel Montagu & Co. Limited" and crossed "Not Negotiable". No application will be considered unless these conditions are fulfilled. All cheques/bankers drafts are liable to be presented for payment on receipt.

ARGYLL FOODS PLC

(Incorporated under the Companies Act 1929. Number 358043)

Offer for Sale by Tender

by

Samuel Montagu & Co. Limited

of 95,000,000 ordinary shares of 10p each at a price of between a minimum of 85p and a maximum of 100p per share, payable in full on application

* Application must be for a minimum of 200 shares or for the following multiples of shares: multiples of 200 shares up to 1,000 shares; thereafter in multiples of 500 shares up to 10,000 shares; thereafter in multiples of 1,000 shares up to 25,000 shares; thereafter in multiples of 5,000 shares up to 100,000 shares; thereafter in multiples of 10,000 shares.

** The price per share must be at the minimum tender price of 85p per share or at any higher price (in units of 1p each) up to a maximum tender price of 100p per share. Examples of amounts payable at different tender prices are set out above.

*Number of ordinary shares applied for	**Price per share at which applied for (pence)	***Amount of cheque enclosed
	p	£

FOR OFFICE USE ONLY
1. Letter of Acceptance No.
2. Shares accepted
3. Amount received on application £
4. Amount payable on shares accepted £
5. Amount returned £
6. Return Cheque No.
7. Share Certificate No.

To: SAMUEL MONTAGU & CO. LIMITED.

I/We enclose a cheque/bankers draft for the above-mentioned sum ***, being the full amount payable on application for the above-stated number * of ordinary shares of 10p each in Argyll Foods PLC ("Argyll") at the above indicated price ** per share. I/We offer to purchase that number of shares, and I/we hereby undertake and agree to accept the same, or any lesser number of shares in respect of which this Application may be accepted at the striking price, upon the terms of your Offer for Sale dated 4th June, 1982 and subject to the Memorandum and Articles of Association of Argyll. I/We hereby authorise you to send to me/us a fully paid renounceable Letter of Acceptance for the number of shares in respect of which this application is accepted and/or a cheque for any moneys returnable to me/us by ordinary first class post at my/our risk to the address first given below and to procure my/our name(s) to be placed on the Register of Members of Argyll as holder(s) of the said shares so far as they have not been duly renounced.

I/We declare that due completion and delivery of this Application Form, accompanied by a cheque/bankers draft, constitutes an undertaking that such cheque/bankers draft will be honoured on first presentation. I/We acknowledge that any Letter of Acceptance and (if appropriate) remittance for any application moneys returnable which is/are to be sent to me/us may be held pending clearance of such cheque or bankers draft.

PLEASE SIGN HERE 1. Signature ....
Dated .... June, 1982

Forename(s) (in full) .... Surname (Mr., Mrs., Miss or Title) ....
Address (in full) ....
Post Code ....

ALL JOINT APPLICANTS MUST SIGN AND GIVE NAMES AND ADDRESSES BELOW. In the case of a corporation this form should be signed by a duly authorised officer who should state his representative capacity.

2. Signature ....
Forename(s) (in full) .... Surname ....
Address .... (Mr., Mrs., Miss or Title)
Postcode ....

3. Signature ....
Forename(s) (in full) .... Surname ....
Address .... (Mr., Mrs., Miss or Title)
Postcode ....

4. Signature ....
Forename(s) (in full) .... Surname ....
Address .... (Mr., Mrs., Miss or Title)
Postcode ....

PLEASE USE BLOCK CAPITALS or type for names and addresses

NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION, but an acknowledgment will be forwarded through the post in due course, at the risk of the applicant(s), either by a fully paid renounceable Letter of Acceptance for all the shares applied for, or by a fully paid renounceable Letter of Acceptance for the shares in respect of which this application is accepted and a cheque for any surplus application moneys, or by the return through the post of the application moneys, in each case at the risk of the applicant(s).

This announcement appears as a matter of record only.

Banque Nationale de Paris

U.S. $ 250,000,000 Floating Rate Notes due 1989

with Warrants to purchase

U.S. $ 250,000,000 14 1/4% Bonds due 1990

Issue Price of the Notes with Warrants: 100%

BANQUE NATIONALE DE PARIS
CREDIT SUISSE FIRST BOSTON LIMITED
SALOMON BROTHERS INTERNATIONAL

DEUTSCHE BANK AKTIENGESELLSCHAFT
GOLDMAN SACHS INTERNATIONAL CORP.
MERRILL LYNCH INTERNATIONAL & CO.
MORGAN GUARANTY LTD
MORGAN STANLEY INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL LIMITED

This announcement appears as a matter of record only.

New Issue — 27 May 1982

¥20,000,000,000

Commonwealth of Australia

8.0% Japanese Yen Bonds

Series No. 6 (1982)

Due 27 May 1992

The Nomura Securities Co., Ltd.

Daiwa Securities Co. Ltd. — The Nikko Securities Co., Ltd. — Yamaichi Securities Company, *Limited*

The Nippon Kangyo Kakumaru Securities Co., Ltd. — New Japan Securities Co., Ltd.
Sanyo Securities Co., Ltd. — Kokusai Securities Co., Ltd. — Wako Securities Co., Ltd.
Merrill Lynch Securities Company, *Tokyo Branch* — Okasan Securities Co., Ltd. — Osakaya Securities Co., Ltd.
Yamatane Securities Co., Ltd. — Dai-ichi Securities Co., Ltd. — Tokyo Securities Co., Ltd.
Bache Halsey Stuart Shields (Japan) Ltd., *Tokyo Branch* — Smith Barney, Harris Upham International Incorporated, *Tokyo Branch*
Marusan Securities Co., Ltd. — Toyo Securities Co., Ltd. — The Kaisei Securities Co., Ltd.
Koyanagi Securities Co., Ltd. — Nichiei Securities Co., Ltd. — Vickers da Costa Ltd., *Tokyo Branch*
The Chiyoda Securities Co., Ltd. — Hinode Securities Co., Ltd. — Ichiyoshi Securities Co., Ltd.
Kosei Securities Co., Ltd. — Marusan Securities Co., Ltd. — Meiko Securities Co., Ltd.
Mito Securities Co., Ltd. — Naigai Securities Co., Ltd. — The National Tabayashi Securities Co., Ltd.
Takagi Securities Co., Ltd. — The Toko Securities Co., Ltd. — Towa Securities Co., Ltd.
Utsumiya Securities Co., Ltd. — The Nippon Securities Co., Ltd. — Jardine Fleming (Securities) Ltd., *Tokyo Branch*

Deutsche Bank Aktiengesellschaft — Morgan Stanley International — Amro International Limited
Credit Suisse First Boston Limited — Swiss Bank Corporation International Limited
Ord Minnett — Potter Partners

Cocoa down in spite of fund loan

By Terry Povey

WORLD COCOA prices fell yesterday with the September position on the London futures market reaching a new 11-month low of £892 per tonne during the morning. September cocoa closed at £901.15 per tonne, down £11 on Friday's close.

According to traders, this further downward move was caused by the failure of last week's meeting of the International Cocoa Organisation (ICCO) to result in fresh purchases by the buffer stock manager.

The ICCO council late on Friday evening had completed all the necessary arrangements for the $75m loan under discussion for some time with a consortium of Brazilian banks. However, the council decided not to authorise the buffer stock manager to start purchases immediately.

Instead ICCO is to wait until the council's next meeting in London on the 8-16 July, to make a decision on how best to use the extra finance.

NZ signs dairy contract with Kuwait

By Dai Hayward in Wellington

THE New Zealand Dairy Board has signed a contract to provide a minimum NZ$90m worth of dairy products to Kuwait over the next five years.

It is confidently expected the annual minimum of NZ$18m will double before the end of the five year period. NZ will supply skim milk powder, butter and butter milk powder to the Kuwaiti Danish Dairy which operates a recombining plant said to be one of the largest and most sophisticated in the world.

The contract more than doubles NZ exports of dairy products to Kuwait which have been running at NZ$15m a year. Total sales to the Middle East are running at about NZ$50m.

Boost for UK food sales

BY RICHARD MOONEY

THE FORMATION of a new body to mastermind the promotion of British-produced food at home and abroad was announced yesterday by Mr Peter Walker, the Minister of Agriculture.

The new organisation, catchily named "Food from Britain," will receive £20m in Government funding over the first five years of its operation. After that it is envisaged that the full operational budget will be borne by the farming and food industries. "The success of the organisation will thus rightly depend on its ability to convince the agriculture and food industries that the services it provides are worth paying for," Mr Walker said.

Food from Britain will take over the functions of the Central Council for Agricultural and Horticultural Co-operation (CCAHC), but will have much wider powers for co-ordinating and promoting marketing initiatives. The CCAHC chairman, Mr Nicholas Saphir, will become chairman of the new body.

Mr Walker praised the research, investment, productivity, innovation and efficiency of Britain's farmers, food manufacturers and distributors. But he said in spite of the great strides made in recent years the greatest scope for improvement remained in the marketing area.

He noted that central organisations had made a great impact on food marketing in France and Germany.

The announcement, which Mr Walker described as possibly "the most significant to come from this Ministry this decade," was welcomed by the industries concerned.

Mr R. A. Rush, chairman of the British Farm Export Council promised "enthusiastic support" for Food from Britain. "We believe that the BFEC can contribute substantially to the export activities of the new body," he said.

Wool market upturn seen

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

SIGNS of an upturn in the wool industry were now clearly visible according to Mr M. J. Godfrey at the International Wool Textile Organisation's annual conference in Venice yesterday.

The recent recovery in apparel wool prices was evidence of this. Another indicator was that de-stocking had come to an end after a drop which had taken stocks to their lowest point for 10 years.

But Mr Godfrey, statistics secretary to the Organisation, warned against too much faith in a quick climb out of the recession. "Neither the timing nor the extent of the recovery is by any means certain," he warned.

First tentative signs of a recovery in wool textiles in the more advanced industrial countries had shown up in the final quarter of last year. The recovery was not uniform, though, it being better in the UK and Japan than in many other countries.

Elsewhere, he detected a good augury in the spectacular expansion in China's wool textile manufacturing capacity and the downward movement in interest rates in Europe which would give re-stocking a bit more impetus.

Turning to world production, Mr Godfrey stated that output at 2,880m kg in 1981-82 had remained static at the high level of the previous season. Output in both Australia and the Soviet Union, the two biggest producers, fell for the second season in succession and, with a drop in Uruguay, the output in these three countries practically wiped out the effect of bigger clips in China, Argentina, Pakistan and the U.S.

In Australia production was down to 691m kg compared with 697m kg over the previous four seasons. In the Soviet Union the clip was 2 per cent lower at 454m kg in spite of new measures to stimulate livestock production.

New Zealand, the third largest producer, saw output level at 380m kg.

The main feature of the New Zealand wool market in the current season, according to Mr D. J. McIlraith, NZ Wool Board chairman, has been the significant drop in demand for coarse crossbred wool.

Rise in London copper stocks

BY OUR COMMODITIES STAFF

A FURTHER 2,350 tonnes rise in London Metal Exchange warehouse copper stocks was announced yesterday, taking the total to 146,550 tonnes, the highest level since October 1979. The news encouraged a modest decline in the LME high grade cash price, which reached its lowest for 43 months last week, but the market steadied later and the cash quotation ended the day only £1 down at £747 a tonne.

Other metals were also relatively steady as traders took stock after last week's dramatic declines. Cash tin closed £30 down at £6,595 a tonne, while cash lead gained £0.50 to £285.50 a tonne and cash zinc rose £5 to £391.50 a tonne.

LME stocks of tin fell 1,425 tonnes to 34,135 last week; lead stocks rose 1,400 tonnes to 90,300; and zinc stocks fell 50 tonnes to 61,725. Stocks of aluminium were up 950 tonnes to 218,575 while nickel stocks fell 234 tonnes to 3,132. Silver stocks fell 110,000 troy ounces to 34.51m.

Magma Copper Company's San Manuel, Arizona, copper mine and mill will remain closed this week eliminating production of 1,580 tonnes of copper. This is part of a programme of six one-week closures, which began in the last week of April, to control escalating stock levels. In April 330 Magma employees were laid off at San Manuel and the working week was cut to 32 hours because of the depressed state of the copper market.

Malaysia to withhold rubber

KUALA TRENGGANU, Malaysia — Malaysia is expected to hold back 175,000 tonnes of natural rubber from the market, as its share towards implementing a proposal by the Association of Natural Rubber Producing Countries (ANRPC), a senior government official said here yesterday.

ANRPC members—Malaysia, Indonesia, Thailand, Singapore, India and Sri Lanka—proposed at their emergency meeting in Kuala Lumpur last month to withhold 350,000 tonnes of rubber from the market over a six-month period to stabilise depressed prices and hasten a market recovery.

The six month period will begin after an ANRPC meeting in the first week of July in Bangkok, at which a firm breakdown of each member country's share will be decided.

Malaysia's Deputy Primary Industries Minister Bujang Ulis said that government agencies have been asked to set up separate stockpiles as one of the measures to be used to achieve the target.

Other measures may include tapping holidays, bans on the use of yield stimulants and accelerated replanting.

Reuter

Rotterdam grain strike ends

ROTTERDAM—Grain handlers in the port of Rotterdam returned to work yesterday after a three-week strike.

The union said employees of Graan Elevator Mij (GEM), Graanvaars and Maashaven Silo were working normally after deciding on Friday to end a strike aimed mainly at obtaining shorter hours.

A spokesman for GEM, the largest of the companies which employs 830 of the port's 1,000 grain handlers, said the men were unloading eight vessels while another nine were waiting to discharge.

GEM said its balance in port of grains, oilseeds and derivatives stood at 1.03m tonnes yesterday, compared with 192,000 tonnes on May 10, the last date on which figures were issued before the strike.

TROPICAL TIMBER

Conference hopes to halt forest decline

BY BRIJ KHINDARIA IN GENEVA

LOOMING TROPICAL timber shortages because of severe depletion of forests have given fresh impetus to negotiations in Geneva to create a new international agreement on tropical timber which could be finalised next year.

Delegates to a 50-country committee appear more confident than ever that the current session ending on June 11 will be the last before a diplomatic negotiating conference is called to finalise the accord. Negotiations were begun nearly four years ago under auspices of the UN Conference on Trade and Development (Unctad).

Japan, which imports the largest volume of tropical timber, with more than 30m cu tonnes in 1980, is the agreement's keenest supporter and has tabled detailed suggestions for its provisions.

The accord as planned so far differs significantly from classic commodity agreements such as those for natural rubber, tin, cocoa and sugar, because it does not envisage price stabilisation measures. Instead, it focuses heavily on ensuring that the world will have enough tropical timber supplies in coming decades and especially after the year 2000 when severe shortages are expected.

Although less eye-catching than other commodities, at $7bn the tropical timber trade is surpassed only by the $12bn coffee trade, according to Unctad estimates.

Export surpluses of the main tropical timber suppliers—Indonesia and Malaysia—will fall sharply after the year 2,000, because rapidly depleting hard wood forests need a 30 to 50 year cycle to grow again, an Unctad report says.

Tropical forests are being depleted at a rate of 8m hectares per year, and will also be hit in the future by such factors as temperature changes in the biosphere due to more carbon dioxide and changes in the sea level. The main timber-producing countries of Asia, Africa and Latin America are on average planting only one hectare of tropical timber forests for every 13 hectares that are depleted. Re-forestation programmes in Asia have run into investment bottlenecks because of recession in the main industrialised countries' buyers.

Reforestation programmes have also focused mainly on fast-growing species used for pulping and fuel neglecting other uses which require species that grow more slowly.

The logging industry structure is changing because producers wish to process the wood before export and to sell more manufactured products.

As envisaged so far, the agreement would contain four main elements. First, a programme to promote research and development in producing countries—42 projects costing $105m have been agreed upon informally.

Second, creation of mechanism to gather market intelligence needed by exporters. An agreement of principle has been reached on a system to monitor markets and evaluate trends as well as exchange information among importers and exporters.

Third, the promotion of tropical timber processing in producing countries. An Unctad study recommends more trade liberalisation on a planned basis, transfer of processing technology, technical advice to developing countries and creation of adequate financing methods.

Fourth, preparation of reforestation and forest management programmes.

Coffee surplus warning

BY JOHN WICKS IN ZURICH

COFFEE STOCKS are rising to threatening levels in certain producer countries, according to Mr Jens Sroka, manager of the leading European coffee roaster, Jacobs Ag.

Speaking in Zurich, Mr Sroka said that stocks had reached 61 per cent of a year's production in Colombia and about 75 per cent in the Ivory Coast.

"How long can the International Coffee Agreement (ICA) dam the increasing pressure from unsaleable quantities?" he queried.

The surpluses arose from the ICA quota system with many small countries who could not afford stock-piling selling their surpluses outside the traditional ICA market to so-called "new markets" at as much as 50 per cent below the market price, he claimed. Main beneficiaries were eastern European countries not belonging to the ICA.

This situation could be fundamentally changed by a Brazilian frost this month or next. However, the surpluses in producer countries should mean there would be no danger of a recurrence of the situation in 1975, when Brazil experienced the "frost of the century" and prices rose sharply.

Jacobs Ag estimate that world coffee reserves should fall slightly from 43.3m bags (of 60 kilos) at the start of the 1981-82 crop year to 42.8m bags at the beginning of the 1982-83 harvest. Then they predict them rising sharply to 51.5m bags at the start of the crop year 1983-1984. These estimates assume no Brazilian frost.

LONDON OIL SPOT PRICES

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	33.25-33.40	+.30
Iranian Light	32.25-32.60	+.45
Arab Heavy	30.75-31.00	+1.10
North Sea (Forties)	34.00	+.10
African(Bonny Lt)	35.25-35.50	+.50
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	379-380	—
Gas oil	300	+4.5
Heavy fuel oil	169-170	+1

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
May	295.00	-3.50	[illegible]
June	295.00	-1.50	[illegible]
July	292.75	-1.75	[illegible]
August	294.50	-2.00	[illegible]
September	296.00	-2.00	[illegible]
October	298.00	-3.50	[illegible]
November	293.50	-5.50	—
December	293.50	-5.50	—
January	294.50	-6.50	—

GOLD MARKETS

Gold rose $5½ an ounce from Friday's close in the London bullion market yesterday to close at $324-324½. It opened at $323¾-324¼ and traded between a high of $326-326½ and a low of $322¾-323¼. The firmer trend was mainly a reflection of increased Middle East tension.

In Frankfurt the 12½ kilo bar was fixed at DM 24,880 per kilo ($325.01 per ounce) against DM 24,300 ($320.05) previously and closed at $324¾-325¼ from $318¼-319¼.

In Paris the 12½ kilo bar was fixed at FFr 64,400 per kilo ($322.37 per ounce) in the afternoon compared with FFr 65,000 ($326.08) in the morning and FFr 63,500 ($321.35) on Friday afternoon.

LONDON FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ per troy ounce		
August	[illegible]	[illegible]	[illegible]
Sept'mbr	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]

Turnover: 572 (953) lots of 100 troy ozs.

	June 7		June 4	
Gold Bullion (fine ounce)				
Close	$324-324½	(£181-181¼)	$318¼-319	(£176-176½)
Opening	$323¾-324¼	(£181-181¼)	$316¼-317	(£177-177½)
Morning fixing	$323.80	(£180.498)	$316.35	(£177.389)
Afternoon fixing	$325.25	(£181.775)	$318.75	(£177.409)
Gold Coins				
Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
½ Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
¼ Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
1/10 Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]	[illegible]	[illegible]
King Sovereigns	[illegible]	[illegible]	[illegible]	[illegible]
Victoria Sovs	[illegible]	[illegible]	[illegible]	[illegible]
French 20s	[illegible]	[illegible]	[illegible]	[illegible]
50 pesos Mexico	[illegible]	[illegible]	[illegible]	[illegible]
100 Cor. Austria	[illegible]	[illegible]	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were generally much steadier on the London Metal Exchange. Recently depressed Copper traded between £770 and £778 before closing at £773 with little selling pressure evident. Lead touched £302 prior to closing at £294.5 while trade buying and demand for cash material lifted Zinc to £388 before profit-taking pared the price to £382 at the close. Tin opened at £6,560 and touched £6,600 on trade covering although physical sales before closing to end the day at £6,575. Aluminium closed at £534.25 and Nickel at £2,932.5.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
HighGrde	£	£	£	£
Cash	745.5-9	+3.25	746.5-7.5	+1
3 mths	772.5-3	+1.5	775.5-6	+1
Settlem't	746	+3	—	
Cathodes				
Cash	737.5-8	+3.25	738-9	
3 months	764.5-5	+3.25	764.5-9	+1.5
Settlem't	738	+1	—	
U.S. Prod.	—		*66	-.76

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £745.50, three months £771.00, 71.5, 72.00, 72.5, 73.00, 72.50, 72.00. Cathodes: Three months £764.50. Kerb: Higher Grade, three months £774.00, 75.00, 3.50, 5.00. Afternoon: Higher Grade, three months £776.00, 75.50, 76.00, 75.00, 73.50, 73.00, 72.50, 73.00, 73.50. Karb: Higher Grade, three months £773.00, 72.50, 73.00, 72.00, 72.50. Turnover, 20,025 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6600-30	+85	6590-600	-30
3 months	2990-600	+55	6570-80	-55
Settlem't	6620	+90	—	.....
Standard				
Cash	9600-20	+55	6590-600	-30
3 months	6590-600	+90	6570-80	-27.5
Settlem't	6620	+90	—	.....
Straits E.	:529.21	.....	—	.....
NewYork	—	—	.....	

Tin—Morning: Standard, cash £6,620, 15, 10, three months £6,570, 80, 90, 6,600. Kerb: Standard, three months £6,950. Afternoon: Standard, cash £6,600, three months £6,590, 70, 80, 95, 90, 80. Kerb: Standard, three months £6,560, 70, 80, 75. Turnover, 1,715 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	288.5-8	+8	285-6	+.5
3 months	300.5-1	-9	297-.5	+1
Settlem't	289	+8	—	.....
U.S. Spot	—	.....	*25.7	.....

Lead—Morning: Cash £289.00, three months £298.50, 99.00, 99.00, 300.00, 301.00, 300.50, 301.00, 300.00, 300.50. Karb: Three months £300.00, 301.00, 01.50, 01.00. Afternoon: Three months £300.50, 01.00, 300.50, 299.00, 98.50, 98.00, 97.50, 97.00, 97.50. Kerb: Three months £296.00, 95.00, 93.00, 94.00, 95.00. Turnover, 12,025 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	395-6	+6	591-2	+5
3 months	396.5-7	+7.25	601-.5	+2.75
S'ment	396	+6	—	.....
Primw'ts	—	.....	*65-37.75	.....

Zinc—Morning: Cash £397.00, 96.00, three months £388.00, 98.00, 90.00, 91.00, 92.00, 93.00, 95.00, 95.50, 97.00, 96.00, 95.50, 97.00, 98.00, 99.00, 97.50, 97.00. Kerb: Three months £397.00, 96.00. Afternoon: Three months £396.00, 95.00, 94.00, 93.00, 92.00, 90.00, 91.00. Kerb: Three months £390.00, 89.00, 88.00, 89.00, 91.00, 90.00, 91.00, 92.00. Turnover, 19,600 tonnes.

Aluminm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	513.5-4	+6.75	518.5-3.5	+6.75
3 months	533.5-4	+7	553-.5	+0

Aluminium—Morning: Cash £513.50, 14.00, three months £531.00, 32.00, 32.50, 33.00, 34.00. Karb: Three months £534.00, 35.00, 35.50, 36.50, 36.00, 37.00, 37.50, 38.00, 38.50, 39.00. Afternoon: Three months £538.00, 37.00, 35.00, 34.00, 33.00, 33.50, 33.00. Karb: Three months £533.50, 33.00, 33.50, 34.00. Turnover, 11,100 tonnes.

Nickel — Morning: Three months £2,925, 30, 25, 35, 33, 30. Afternoon: Three months £2,926, 30, 25, 30. Kerbs: Three months £2,925, 30, 40, 30. Turnover, 618 tonnes.

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	2876-8	+4	2880-90	+55
3 months	2930-5	+1.5	2930-5	+45

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 1.55p an ounce higher for spot delivery in the London bullion market yesterday at 331.2p. U.S. cent equivalents of the fixing levels were: spot 592.0c, down 0.4c; three-month 613.0c, up 0.4c; six-month 633.2c, up 0.9c; and 12-month 678.6c, down 0.4c. The metal opened at 331-334p (592-595c) and closed at 328-331p (588-592c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	331.20p	+1.55	329.5p	+1.75
3 months	341.40p	+1.65	339.75p	+3.25
6 months	351.40p	+1.60	—	
12months	372.85p	+0.55	—	

LME—Turnover: 68 (99) lots of 10,000 ozs. Morning: Cash 332.0; three months 342.0, 42.3, 42.2, 42.3. Kerb: Three months 341.5. Afternoon: Three months 339.0, 40.0, 39.5. Korb: Nil.

COCOA

Futures opened £15 lower and continued to ease as commission houses sold following the ambiguous outcome of last week's ICCO talks. Manufacturer offtake and price fixing later steadied values and prompted jobber short-covering at the close, reports Gill and Duffus.

COCOA	Yest'day's Close	+ or −	Business Done
July	877-78	-9.0	878-65
Sept.	901-02	-11.0	907-02
Dec.	941-42	-19.0	945-33
March	977-78	-10.0	980-68
May	995-1000	-13.5	1000-93
July	1018-24	-10.0	1020-18
Sept	1040-44	-6.5	—

Sales: 3,879 (2,397) lots of 10 tonnes.

ICCO—Daily price for June 7 70.56 (71.62) indicator price for June 8: 71.21 (71.87).

COFFEE

After commission house selling had produced an easier opening values recovered to settle in a narrow range, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
July	1201-00	-2.0	1203-91
Sept	1138-39	-2.0	1142-30
Nov	1094-95	.....	1100-80
January	1080-82	+0.5	1080-79
March	1064-70	+1.5	1070-61
May	1050-57	+1.0	1050-54
July	1042-54	-0.5	—

Sales: 2,362 (2,401) lots of 5 tonnes.

ICO Indicator prices for June 4 (U.S. cents per pound): Comp. daily 1979 122.43 (121.64); 15-day average 110.84 (110.80).

GAS OIL FUTURES

The market opened about $4.00 higher on the unrest in the Middle East before easing back to light volume. A limit-up opening in New York led to a further rally and the market remained steady, reports Premier Man.

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
June	297.00	+7.50	297.50-92.50
July	295.25	+9.00	296.25-88.50
August	295.00	+8.75	295.50-89.50
Sept.	294.50	+8.25	294.50-89.00
Oct.	295.50	+7.25	299.00-91.00
Nov.	297.00	+7.00	297.00-94.50
Dec.	300.00	+7.00	300.00-96.00
Jan.	301.50	+7.00	—
Feb.	303.50	+7.50	—

Turnover: 1,746 (1,633) lots of 100 tonnes.

GRAINS

The markets opened unchanged. Old crop wheat led the downward trend. New crops were also sold as with wheat being more affected, Acli reports.

Mnth	WHEAT Yest'rd'ys close	+ or −	BARLEY Yest'rd'ys close	+ or −
July	117.45	-0.10	—	
Sept	108.60	-0.05	104.80	-0.05
Nov	112.20	-0.05	108.85	-0.10
Jan	116.05	-0.10	112.10	-0.10
Mar	119.70	-0.10	115.45	-0.10
May	122.85	-0.15	118.70	-0.10

Business done—Wheat: July 119.40-117.45, Sept 108.75-108.55, Nov 112.35-112.20, Jan 116.20-116.00, March 119.70-119.50, May 123.00-122.95. Sales: 339 lots of 100 tonnes. Barley: Sept 104.85 only, Nov 108.35-108.30, Jan 112.10 only, Mar nil trades. Sales: 33 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent June 113.25, July 109.00, Aug 108.50 transhipment East Coast sellers. English Feed fob Sept 112.25 South Coast, Oct 114.25 East Coast seller. Maize: French first half June 136.00 transhipment East Coast seller. S. African White/Yellow June/July 85.00 seller. Barley: English Feed fob June 113.50, Jan/March 118.00 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: E. Mids 126.00. Feed barley: Scotland 112.00.

The UK Monetary Coefficient for the week beginning Monday June 14 (based on HGCA calculations using four days' exchange rates) is expected to change to 0.920.

RUBBER

The London physical market opened unchanged, attracted little interest throughout the day and closed quiet. Lewis and Peat recorded a June fob price for No. 1 RSS in Kuala Lumpur of 203.0 (203.5) cents a kg and SMR 20 177.5 (same).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
July	52.10-52.50	52.30-52.80	—
Aug	52.50-52.60	52.00-53.20	—
Jly-Sept	52.50-52.50	52.30-52.40	52.80-52.30
Oct-Dec	53.80-53.90	53.70-53.80	54.00-53.80
Jan-Mar	56.00-56.20	56.10-56.30	56.20-56.10
Apl-Jne	58.50-58.10	58.50-58.40	58.10-58.50
Jly-Sept	60.20-60.30	60.30-60.40	—
Oct-Dec	62.20-62.50	62.20-62.30	—
J'n-Mch	64.10-64.30	64.10-64.20	—

Sales: 97 lots of 15 tonnes, nil lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 51.50p (same); July 51.00p (same); Aug 51.75p (same).

SOYABEAN MEAL

A slightly higher opening was due to commercial support and short-covering, reports T. G. Roddick. Prices remained steady and late professional buying saw the market close on the highs.

	Yesterdys Close	+ or −	Business Done
	£ per tonne		
June	120.20-20.0	+0.15	120.20
August	129.40-29.0	+1.10	129.50-28.80
October	130.40-30.5	+1.10	130.20-29.99
Dec.	133.70-34.0	+1.20	135.20-32.50
Feb.	136.70-37.0	+1.20	138.30-35.90
April	137.90-38.0	+0.85	—

Sales: 140 (346) lots of 100 tonnes.

SOYABEAN OIL—The market opened $2.00 higher, remained steady until moving higher with a late rally on short covering. Closing prices and business done (U.S. $ per tonne): June 493-520, untraded; Aug 496-97, 493-91.50; Oct 496.50-98, 496-92.50; Dec 503-04, 502; Feb 506.5-07, 506.50-03.50; April 511.5-12, 512-10; June 513-26, untraded. Sales: 95 lots of 25 tonnes.

SUGAR

Initial trades were around pre-weekend levels but selling interest was lacking. Prices rallied before heavier offerings blunted the advance, reports C. Czarnikow.

No. 4 Contract	Yesterday close	Previous close	Business done
	£ per tonne		
Aug	108.10-08.15	106.50-06.75	108.50-05.75
Oct	111.10-11.25	109.75-08.85	111.50-09.75
Jan	116.00-19.00	115.50-17.00	—
March	124.25-24.50	123.25-23.50	124.50-22.90
May	126.25-26.50	125.50-25.75	126.25-24.00
Aug	128.00-29.00	128.50-28.75	—
Oct	132.00-34.00	131.00-32.75	—

Sales: 3,424 (3,807) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £374,000 (same) a tonne fob for home trade and £206.00 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for June 4: Daily price 9.97 (7.22): 15-day average 7.67 (7.73).

LONDON DAILY PRICE—Raw sugar £101.00 (same) a tonne cif June-July shipment. White sugar daily price £130.00 (same).

PRICE CHANGES

In tonnes unless otherwise stated.

	June 7 1982	+ or −	Month ago
Metals			
Aluminium	£810/815		£810/815
Free Mkt	$915/945		$875/895
Copper Cash h grade	£747	-1	[illegible]
3 mths	£773.75	+1	[illegible]
Cash Cathode	£738	+1	[illegible]
3 mths	£765.25	+1.5	[illegible]
Gold troy oz	$324.375	+5.125	[illegible]
Lead Cash	£285.5	+0.5	£318.25
3 mths	£297.25	+1	£331.75
Nickel	£3,989		[illegible]
Free mkt	255/285c		250/280c
Platin'm tr oz's	£260		£260
Freemkt	£166.15	+4.15	£168.55
Quicksilver†	$356/375		$370/380
Silver troy oz	331.20p	+1.55	[illegible]
3 mths	341.40p	+1.65	[illegible]
Tin Cash	£6,595	-30	£7,042.5
3 mths	£6,585	-22.5	£7,022.5
Tungsten 22.04lb	$111.68		$106.98
Wolfrm 22.04lb	$119/118		$106/110
Zinc Cash	£391.5	+5	£411.5
3 mths	£401.25	+2.75	£417.25
Producers	$850/900		$850/900
Oils			
Coconut (Phil)	$900u	....	$487.9
Groundnut	‡	....	‡
Linseed Crude	£380	....	‡
Palm Malayan	$910	....	$507.5
Seeds			
Copra Ph lip	‡		‡
Soyabean (U.S.)	$256	+1.25	$274.5
Grains			
Barley Fut. Sep	£104.80	-0.05	£104.75
Maize	£136.00	....	£137
Wheat Fut. Sep	£108.80	-0.05	£122.80
No.2 Hard Wint	‡	....	‡
Other commodities			
Cocoa ship't*	£906	-9	£1017
Future Sept	£901.5	-11	£998
Coffee Ft' Sept	£1138.5	-2	£1144.9
Cotton A.Index	75.65c	....	78.29c
Gas Oil July	$295.29	+9	$985
Rubber (kilo)	51.8p	....	53.5p
Sugar (Raw)	£101u	....	£118
Wool't ps 64s kl.	327p kilo	....	393p kilo

‡ Unquoted. u June-July. w May-June. y July. † Per 76lb flask. * Ghana cocoa. n Nominal. § Seller.

INDICES

FINANCIAL TIMES

June 4	June 3	M'th ago	Y'ar ago
229.79	230.10	249.40	251.39

(Base: July 1, 1952 = 100)

REUTERS

June 7	June 4	M'th ago	Y'ar ago
1508.8	1511.1	1580.7	1752.7

(Base: September 18, 1931 = 100)

MOODY'S

June 4	June 3	M'th ago	Y'ar ago
984.7	987.3	1006.2	1083.7

(December 31, 1931 = 100)

DOW JONES

Dow Jones	June 4	June 3	Month ago	Year ago
Spot	—	123.73	126.42	—
Futr's	182.34	122.83	129.56	—

(Base: December 31, 1974 = 100)

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 555.5, 556.0, 555.9-555.1; Oct 527.5, 528.0, 529.5-527.0; Dec 532.0, 532.5, 533.0-532.0; Mar 536.0, 537.0, untraded; May 541.0, 542.0, untraded; July 546.5, 548.0, untraded; Oct 544.0, 547.0, untraded; Dec 550.1, 555.0, untraded. Sales: 62.

AMERICAN MARKETS

NEW YORK, June 7. The Middle Eastern crisis precipitated rallies in precious metals, copper, heating oil, cotton and sugar. Cocoa remained under pressure on disappointment over a delay in buffer stock purchases until July. [illegible]

EUROPEAN MARKETS

Maize—(U.S. $ per tonne): U.S. No. Three Yellow, afloat 130, June 128.50, July 128.50, Aug 127, Sept 127, Oct/Dec 126.50, Jan/March 135 sellers.

ROTTERDAM, June 7.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent, July 179.50, Aug 180. U.S. No. Three Amber Durum, June 176.50, July 178, Aug 181, Sept 184. U.S. No. Two Northern Spring 14 per cent, afloat 181, June 178.50, July 176, Aug 175. Canadian Western Red Spring, June/Sept 200.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 379, 388, nil; Oct 399, 403, nil; Dec 407, 412, nil; Jan 410, 412, nil; March 416, 420, nil; May 426, 430, nil; Aug 432, 436, 434; Oct 434, 438, nil; Dec 438, 441, 440. Sales: 2.

PARIS, June 7.

Cocoa (FFr per 100 kilos): July 980/990, Sept 1030/1045, Dec 1068/1074, March 1115/1125, May 1145/1155, July 1175/1185, Sept 1220/1230. Sales at call: Nil.

Sugar—(FFr per tonne): July 1415/1436, Aug 1427/1428, Oct and Nov 1395/1400, Dec 1400/1407, March 1490/1494, May 1540/1545, July 1570/1580. Sales at call: 27.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 123 tonnes. A slow movement of supplies continued, without signs of increased activity among buyers. Interest was mainly in specialist qualities grown in the Middle East and North American types.

JUTE

JUTE—C and f Dundee BWC £288, BWD £243, BTB £328, BTC £280, BTD £248. Antwerp c and f BWC £288, BWD £244, BTB £330, BTC £291, BTD £247. c and f Dundee June 40 in 10 oz £10.89, 40 in 7½ oz £8.35; B twills £33.31.

TEA AUCTIONS

LONDON TEA AUCTION—27,244 chests were on offer at yesterday's auction including 400 offshore. A good demand prevailed. Brighter Assams were firm to dearer but others were 1-2p lower with quality. Bright East Africans were well competed for and gained several pence, mediums were fully firm. Plainer Central Africans came to a lower market. Ceylons were firm to dearer, with quality BOPF's a dearer feature. Poor leaf sorts met a restricted enquiry. The small quantity available in the offshore auction showed a dearer tendency. Quotations: quality 127p a kg (127p), medium 108p a kg (108p), plain no quotation (no quotation).

POTATOES

LONDON POTATO FUTURES—Widespread rain over the weekend increased optimism for good yields, which resulted in prices easing rapidly. Book-squaring in thin trade lifted all positions off the lows, reports Coley and Harper. Closing prices: Nov 65.20, −0.80 (high 65.30, low 64.00); Feb 74.00, −0.70 (high 74.00, low 73.10); April 83.80, −1.40 (high 84.10, low 82.90); May 94.30, −1.40 (high 95.00, low 93.00). Turnover 191 (97) lots of 40 tonnes.

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 80.8 to 85.8; English hindquarters 96.5 to 102.0, forequarters 53.0 to 59.0; Ulster hindquarters 98.0 to 101.5, forequarters 52.0 to 58.0. Veal: Dutch Hinds and Ends 117.0 to 122.0. Lamb: English small 74.7 to 82.7, medium 72.0 to 78.0, heavy 70.0 to 72.0; Imported—New Zealand PL 63.0 to 63.5, PM 63.0 to 63.0, YL 60.0 to 61.0. Pork: English, under 100 lb 38.0 to 54.5, 100-120 lb 42.5 to 53.0, 120-160 lb 38.0 to 50.5.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 99.44p per kg lw (−2.70). GB—Sheep 157.81p per kg est dcw (−23.17). GB—Pigs 68.93p per kg lw (−7.77).

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £3.50-£4.60, codlings £3.50-£4.00; medium haddock £3.70-£4.20, small £1.80-£2.80; medium plaice £4.80-£5.20, best small £3.60-£4.20; large skinned dogfish £5.00, medium £3.50; large lemon soles £8.00, medium £6.00; rockfish £1.40-£2.50; saithe £2.00-£2.70.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Cypriot: 15 kg Valencia Lates 3.20-8.50; Jaffa: 20 kg Valencia Lates 56 6.25, 60 6.25, 75 9.25, 88 5.85, 105 5.50, 123 4.85, 144 4.50, 168 4.50; Moroccan: 18 kg Valencia Lates 48/113 3.80-6.50; Outspan: Navels 40 5.25, 48 5.25, 56 5.80, 72 5.55, 88 4.85, 112 4.25, 138 3.60, 150 3.30. Lemons—Spania: trays 5 kg 40/50 1.40-1.80; Jaffa: 19 kg 90/123 3.20-4.00; Outspan: 15½ kg 80/190 4.50-9.20. Grapefruit—U.S.: 19/17 kg Florida Ruby 8.80-9.00; Cypriot: Small cartons 17 kg 3.20-5.00; Jaffa: 20 kg 27 4.25, 32 4.45, 36 4.55, 40 4.90, 48 5.25, 56 9.30, 64 5.15, 75 4.85, 88 4.00; South African: 27 4.10, 32 4.30, 36 4.45, 40 4.80, 48 4.80, 56 4.95, 64 4.65, 72 4.30. Ruby same as White. Apples—French: Golden Delicious 18 kg 8.00-11.50; Tasmanian: Golden Delicious 11.00-12.00, Jonathan 11.00-11.50.

English Produce: Potatoes—Per 55-lb, White 5.00, Red 4.80-5.50, King Edwards 5.00-5.50. Per pound new 0.14-0.16. Mushrooms—Per pound, open 0.30-0.50, closed 0.50-0.60. Apples—Per pound, Bramley 0.30-0.34. Lettuce—Per 12, round 1.00-2.00, Webb's 2.00. Onions—Per 55-lb 40/80 mm 3.00-4.50. Spring Onions—Per bunch 0.16. Spring Cabbage—Per 25-lb 1.00-1.50. Carrots—Per 26/28-lb 3.80-4.00. Beetroots—Per 28-lb, round 1.00-1.20, long 1.20. Rhubarb—Per pound, outdoor 0.10-0.12. Leeks—Per 10-lb 1.20-1.60. Cucumbers—Per package 3.50-4.00. Greens—Per 30-lb Kent 0.80-1.50. Tomatoes—Per 12-lb box O/E 4.80. Cauliflowers—Per 12 Kent 5.00-7.00, Lincoln 1.00-3.00. Asparagus—Per pound 0.90-1.30. Strawberries—Per 8-oz 0.30-0.50, 4-oz 0.20-0.30. Raspberries—Per 4-oz pack 0.50-0.70. Gooseberries—Per pound 0.40-0.50. Celery—Per 12/30 8.00-4.00. Broad Beans—Per pound 0.15-0.20. [illegible]

U.S. group's $60m bond withdrawn as prices slide

BY ALAN FRIEDMAN

THE Michigan-based gas pipeline group, American Natural Resources, which last Wednesday launched a $60m seven-year Eurobond through Goldman Sachs, withdrew the issue last night.

The decision to withdraw the bond was made during a day which saw Eurodollar bond prices marked down by up to one point. Euro D-mark bond prices were off ½ point and Swiss franc foreign bond prices fell by around ½ point.

Mr David Watkins, a vice-president of Goldman Sachs, said the 15½ per cent discount-priced American Natural Resources issue was withdrawn in view of the state of the market. "The company and Goldman Sachs have decided to postpone the issue due to extremely unstable market conditions," he said.

The current market would not allow "a successful placement at realistic levels," according to Mr Watkins. Market managers believed that only 25 per cent of the paper had been sold as of yesterday.

The Eurodollar market suffered one of its worst days in weeks yesterday as investors stayed away and dealers simply moved paper off their books in order to avoid losses. Dealers appeared to be circulating paper to one another, however, a practice which one described as "unhealthy."

The reasons for yesterday's sharp markdown are the same which plagued the market last week: uncertainty over dollar interest rates, the continuing U.S. budget impasse and the burden of around $1bn of unsold paper which has piled up during the past few weeks.

Eurocurrency deposit rates all moved higher; the six-month Eurodollar rate closed at 14⅛ per cent, up 1/16. The D-mark rate closed 1/16 per cent higher at 8⅞ per cent, while the Swiss franc rate closed ⅜ point higher at 5⅛ per cent.

The $75m LASMO floating rate note and sterling warrant issue was launched as scheduled by Goldman Sachs — the only new issue of the day. Canon's $50m convertible continued to do poorly, selling at a discount of 2½-3 per cent.

In Frankfurt, Deutsche Bank has brought the City of Copenhagen to market with a DM 75m ten-year issue with a 9½ per cent coupon priced at 99¾ to yield 9.33 per cent. Deutsche Bank is also leading a DM 75m private placement for Renault; the coupon is 8¾ per cent at par on this five-year paper.

In Switzerland the Export Development Corporation of Canada is placing Sw Fr 100m to Sw Fr 150m privately through Swiss Bank Corporation. The 6½-year paper bears a 6½ per cent coupon.

Sweden loan package increased

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SWEDEN has introduced a new $300m tranche to the loan package it is currently arranging from international banks, bringing total value of the package to $1.1bn.

Unlike the original $800m portion, which is priced over U.S. domestic rates, the new tranche is linked to Eurocurrency deposit rates. It bears a margin over London interbank offered rate (Libor) of ⅜ per cent for seven years.

Lenders may, however, choose to extend the facility for a further three years, in which case the margin rises to ½ per cent. The new tranche is co-ordinated by Chase Manhattan and Morgan Guaranty, but bears a strong Japanese flavour.

Co-lead managers are Bank of Tokyo, Dai-Ichi Kangyo, Mitsubishi Bank and Sumitomo Bank which will act as agent. There is also a seven-strong management group comprised entirely of Japanese banks.

The new tranche enhances Sweden's flexibility as to source of funds. It is a multi-currency facility that revolves for the first five years. The previous $800m portion also revolves for the first four years.

It thus offers Sweden a considerable choice on timing and nature of drawdowns in individual currencies, which effectively offsets some of the cost of borrowing over the expensive U.S. prime and certificate of deposit rates.

Sweden will pay a commitment fee of ⅛ per cent for the Eurocurrency portion. Repayments will begin after five years on the basis of twice-yearly payments of 10 per cent. If lenders decline to extend the loan, 60 per cent would fall due on maturity after seven years.

The $800m portion of the package has already proved to be one of the most successful Eurocredit operations this year. Also co-ordinated by Chase and Morgan, it was raised from an original $500m because of heavy demand and provides for a margin of ⅜ per cent over U.S. prime rate. Lenders may also choose at the outset to lend at margins ranging from 80 to 85 basis points over the adjusted rate for 90-day certificates of deposit.

The success of the transaction and the introduction of a new Libor tranche reinforces the suspicions of many bankers that European credits are being favoured at the moment because of the disarray of the market for Latin American borrowers.

$465m takeover by Warner Lambert

By Our New York Staff

WARNER-LAMBERT, the large U.S. pharmaceutical company, announced yesterday that it is to buy Imed, a San Diego medical equipment company for $465m.

Mr Ward S. Hagan, Warner-Lambert's chairman and chief executive, said the acquisition was designed to strengthen the company's position in the high technology health care markets.

Imed designs, manufactures and markets electronic medical instruments and associated disposables for intravenous treatments. It has had sales and earnings growth of over 30 per cent a year and is expected to earn about $20m after tax this year. Apart from California, it has manufacturing facilities in the UK and Ireland.

Warner Lambert, which is based in New Jersey, has been undergoing a major restructuring which has involved the write-off or sale of several unprofitable lines. Sales have shown little change in the last three years, and earnings have been highly volatile.

The company described the acquisition yesterday as "a key step in Warner-Lambert's strategic restructuring."

Veba acquires stake in U.S. coal producer

By Our New York Staff

VEBA, THE large West German utility and petroleum company, agreed yesterday to acquire a 15 per cent stake in Westmoreland Coal, the oldest independent coal producer in the U.S., for at least $32.5m.

The two companies also signed a long-term contract whereby Westmoreland will deliver to two Veba electric utility subsidiaries a total of 220,000 tons of steam coal next year and 500,000 tons a year from 1984 to 1994, with periodic price negotiations and escalation for cost increases.

Under the stock purchase agreement, Westmoreland will issue to Veba 1.2m shares of common stock or the equivalent of 15 per cent of the U.S. company's common shares outstanding immediately after the transaction.

The price of the stock will be a minimum of $27 a share and a maximum of $30 a share depending on Westmoreland's 1982 earnings.

Westmoreland said yesterday that Veba will pay the minimum amount of $32.5m when the transaction is closed in the middle of next month. Veba will pay the balance next year.

Under the stock agreement, Veba will not be allowed to buy more than an additional 5 per cent of the U.S. company's outstanding stock in the open market. At the same time, Veba has granted Westmoreland buy-back rights covering its Westmoreland stock in certain events.

Westmoreland said the shares deal with Veba was expected to lead to a modest increase of anticipated 1982 earnings on a per share basis.

Australia utility places Y10bn samurai bond

TOKYO — The State Electricity Commission of Victoria, Australia, has signed an agreement in Tokyo to place privately a Y10bn samurai bond with a syndicate of Japanese banks and securities firms, led by Bank of Tokyo.

The 12-year, 8.5 per cent bond, priced at par, is guaranteed by the State Government of Victoria, with payment on June 16.

Proceeds of the issue will be used to finance a project to build a coal-fired power station at Loy Yang, south east of Melbourne. Co-managers include Mitsubishi Trust and Banking, Yasuda Trust and Banking and Yamaichi Securities.

The coupon on the latest Samurai public bond offer, Y20bn for 10 years for Donaukraftwerke of Austria, has been set at 8.5 per cent compared to 8 per cent carried by the last public bond of Y20bn over 10 years for the Australian Government in mid-May.

The price for the Donaukraftwerke bond, signed on Saturday, was set at 99.80 to yield 8.537 per cent to subscribers, compared too 99.95 to yield 8.009 per cent for the Australian issue, reflecting the sharp decline in the Japanese bond market over the past two weeks.

The Austrian issue was postponed from May 28 because of a disagreement over issue terms in the light of the bond market's decline in reaction to the expectation that the Government will float additional deficit-covering bonds later this year.

Reuter

FORMAL BID FOR 15% OF CITIES SERVICE

$1.1bn credit supports Mesa offer

BY PAUL BETTS IN NEW YORK

MESA PETROLEUM announced yesterday an immediate cash tender offer for 15 per cent of Cities Service shares at $45 a share.

The cash offer, worth $544.5m, is the latest twist in the increasingly complex takeover battle between Mesa, a relatively small but profitable Texas oil company, and Cities Service, the country's 20th largest oil company.

With its cash bid for 12.1m Cities Service shares, Mesa has now tabled two separate offers for the larger oil company. In turn, Cities Service is bidding $17 a share for 51 per cent of Mesa in a $629m deal designed to block Mesa's takeover attempt.

The other Mesa offer involves a friendly offer to Cities Service management worth $50 a share for the whole of the larger company through a two-step transaction worth nearly $3.9bn.

Cities Service's management has vigorously rejected Mesa's so-called "friendly" offer, but the company's board of directors is scheduled to consider formally the friendly $50 a share offer at a meeting today.

Mesa also rejected yesterday Cities Service's $17 a share bid for a controlling stake in Mesa as inadequate and not in the best interest of shareholders. Most Wall Street analysts regard the Cities Service bid as an initial offer which is likely to be increased as the takeover battle develops.

At this stage in the contest, Cities Service appears to have a thin lead in that it made its offer first and has greater financial resources to support it, including a $1.7bn credit line.

Cities Service's offer for Mesa is due to expire on June 28 with a withdrawal deadline of June 21 and a proration period deadline expiring on Thursday, June 10. Mesa's cash offer expires on July 2, with a withdrawal deadline of June 25 and the proration period deadline expiring on June 16.

But Mesa has indicated it has already had talks with several as yet unnamed investors interested in playing a possible role in its bid for Cities Service. Among these parties, Wall Street believes Mesa has lined up a number of major oil companies interested in either acquiring some of Cities Service's producing assets and undeveloped acreage or possibly, if it came to that, topping Cities Service's bid for Mesa with a friendly deal. Texaco, Gulf Oil, and Mobil are the companies most frequently mentioned together with Southland, Marvin Davis's Davis Oil, and a number of others.

Mesa is being advised by the Wall Street firm of Donaldson, Lufkin and Jenrette, while Cities Service has turned to two Wall Street takeover heavyweights, First Boston and Lehman Brothers Kuhn Loeb.

By offering $5 less in its cash bid, Mesa appears to be seeking to put pressure on Cities Service's directors to reconsider its $50 a share friendly offer since it would clearly be in the interest of shareholders.

In response to Cities Service's claims that Mesa would be stretched to raise the necessary financing to support a major bid, Mesa said yesterday it has arranged a $1.05bn line of credit with a group of banks led by Continental Illinois of Chicago and the Bank of Montreal. Of the $1.05bn, some $550m has been specifically earmarked for acquisitions with the balance for other corporate purposes.

This would be sufficient to finance the cash offer for 15 per cent of Cities Service stock. Should the bid be successful it would give Mesa a 20 per cent stake in Cities Service since the smaller company already owns 5 per cent of the larger company's shares.

Mesa also said yesterday that it may buy more than the 12.1m shares of Cities Service if more are tendered. It indicated it would seek additional financing to finance the extra purchases.

By initially bidding for 15 per cent of the company, Mesa appears to want to test the response of Cities Service shareholders to a takeover offer. Wall Street analysts have compared Mesa's strategy to a similar ploy used by Dome Petroleum of Canada when it acquired last year 20 per cent of Conoco—a move which later sparked an unprecedented series of takeovers in the U.S. energy sector.

Massey-Ferguson in new bid to bolster cash flow

BY ROBERT GIBBENS IN MONTREAL

MASSEY-FERGUSON, the troubled farm equipment manufacturer, is deferring part of this year's salary payments to its 3,000 North American staff.

The company said that senior employees, or those at director-level and above, will have 25 per cent of their salary deferred, while other employees will have 20 per cent deferred.

Refunds of the deferred amounts will be made in October when Massey hopes that North American business will again be generating more normal cash.

Massey said the action is required because of poor farm equipment sales in North America, which call for "intensified cash conservation."

The salary deferments affect about 2,000 employees in the U.S. and 1,000 in Canada.

Flexi-Van stages growth

BY OUR FINANCIAL STAFF

EARNINGS AT Flexi-Van, the containers and trailers leasing group, in the second quarter will be higher than the $4.8m or 65 cents a share in the comparable period, Mr Lewis Rubin, President and chief executive, told the annual meeting.

Earnings will reflect improved operating results, plus the sales of some tax credits and equipment. "By the end of the second quarter, we will have already out-performed the full year 1981 income from continuing operations of $11.9m or $1.06 a share," he said. Net income for 1981 was $4.9m and share earnings for the year are not shown because preferred dividends requirements exceeded net income.

Equity injection thought likely for Harvester UK

BY LISA WOOD

IT IS believed that an equity infusion of at least £7m is being sought by British banks from the U.S. parent of International Harvester UK in the negotiation of a new support package.

Last week Mr Louis Menk, Harvester's new chairman, was quoted as saying in Chicago that he was negotiating an equity infusion for Harvester's UK operation. In 1980 the company lost £12m ($21.6m) in 1979 it made a profit of £3.3m. Last year's results have not yet been reported.

Talks with the 13-odd banks involved in rescheduling International Harvester's borrowings in the UK are expected to be concluded in the next few weeks after nearly nine months of negotiation. It is understood that the £7m which is still negotiable is the minimum amount UK banks are seeking in the re-scheduling of borrowings.

Next month the parent company in the U.S. will represent its new financial plan to some 200 banks. Last year to the banks agreed Harvester's debt restructuring plan provided certain criteria were met. The company, which makes farm and transport equipment, and whose losses in the past year reached a record $397.3m compared with a $370m profit the previous year, stated—in November—asked the banks for a change of terms.

Last week the French Government agreed to join a FFr 450m ($73m) aid package for International Harvester's French operation. The seven-year package is designed to keep Harvester in business in France, though "at a reduced level," according to the Chicago headquarters of IH.

The complex involves 11 French banks as well as the Government. In return, Harvester has agreed to inject $11.4m of new capital into the French subsidiary and capitalise between $11.5m and $14.5m of debt.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bood issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16.

Closing prices on June 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	100⅜	101⅛	−0⅜	−1⅛	14.84
Amax Int. Fin. 16¼ 92	75	101½	102¼	−1⅛	−2½	15.82
Amex O/S Fin. 14¾ 89	75	96⅝	96¾	−0⅝	−1⅛	15.07
APS Fin. Co. 16⅞ 89	75	101⅝	101⅞	−0½	−1⅞	15.83
ATT 14⅝ 89	400	101⅛	102⅛	−0½	−1½	13.77
Baker Int. Fin. 0.0 92	225	†26⅝	26⅝	−0⅛	−1⅛	14.70
BHP Finance 14⅝ 89	150	97⅝	98⅛	−0⅝	−0⅞	15.22
Bk. Amer. NT SA 12 87	200	91½	91⅞	−0½	−2	14.53
Bk. Montreal 14½ 87	300	97⅝	98	−0⅝	−1⅛	15.17
Bque. Indo Suez 15 89	100	97⅝	98⅛	−0½	−0⅞	15.51
British Col. Hyd. 14⅝ 89	200	98⅛	99⅛	−0½	−2⅛	14.97
Burroughs Int. 15⅝ 88	50	102	102½	−0⅝	−1⅞	15.09
Canadair 15½ 87	150	100⅛	100⅝	−0½	−1½	15.32
Canadian Pac. 14⅝ 92	75	97	97½	−0⅝	−2	15.17
Carolina Power 16½ 89	60	101⅞	102⅜	−0⅝	−2½	15.90
CIBC 16 87	100	101	101½	−0⅝	−1½	15.55
Citicorp O/S 15 84/92	100	99⅝	100⅛	−0⅝	−0⅞	14.92
Citicorp O/S 15½ 85/97	125	100⅛	100⅝	−0½	−1⅛	15.16
CNA 15⅞ 97	75	99⅜	100⅛	−0½	−1½	15.84
Con. Illinois 15⅝ 89	100	101½	101⅞	−0⅝	−1½	15.35
Duke Pwr. O/S 15½ 89	60	99⅜	100⅛	−1⅛	−2⅝	15.50
Dupont O/S Cap. 0.0 90	300	35	35½	−0⅝	−1⅛	14.55
ECSC 14⅝ 87	50	98⅝	99⅛	−0⅛	−0⅞	15.05
EIB 15½ 89	150	99⅝	100⅛	−0⅛	−1⅛	15.48
Eksportfinans 14½ 89	60	97	97½	−0½	−1⅛	15.15
Gen. Elec. Credit 0.0 92	400	27	27½	−0½	−2⅛	14.35
Gen. Elec. Credit 0.0 93	400	24⅛	24⅝	−0⅝	−1⅛	14.00
Getty Oil Int. 14 89	125	97⅛	97⅝	−0½	−1⅜	14.56
GMAC O/S Fin. 16 88	150	101⅛	101⅞	−0½	−1½	15.48
GMAC O/S 15⅛ 85/97	100	98⅝	99⅛	−0½	−1	15.70
GMAC O/S Fin. 15 89	125	97⅛	97⅝	−2	−1½	15.63
GMAC O/S Fin. 15 87	100	97½	99	−0⅝	−1	15.67
Gulf Canada Ltd 14⅝ 92	100	98⅛	99⅛	−0½	−1⅛	14.82
Gulf Oil 14⅝ 94	175	98⅛	98⅝	0	−1	14.50
Gulf Oil Fin. 0.0 92	300	26⅝	27⅛	−0⅝	−1⅞	14.39
Gulf States O/S 16 90	60	99⅛	99⅝	−0⅝	−1⅞	16.11
Int-Am. Dv. Bk. 15⅛ 97	55	98⅝	99⅛	−0⅛	−1⅜	15.33
Japan Dev. Bk. 15½ 87	50	102⅛	102⅞	−0⅞	−1⅛	14.62
New Brunswick 16⅛ 89	75	102⅛	102⅝	−0⅝	−2⅝	15.67
Ontario Hydro 14⅝ 89	150	98⅞	100⅛	−0½	−1⅛	14.70
Pac. Gas & El. 15⅝ 89	80	102⅝	103⅛	−0⅛	−0⅞	14.94
Pac. Gas & El. 16½ 89	45	101⅛	102⅛	−0⅝	−1⅝	15.00
J. C. Penney Gl. 0.0 94	350	20⅛	21	−0⅝	−1⅜	14.39
Philips Petrol 14 89	200	95⅝	96⅛	−0⅜	−1⅛	14.95
R.J. Rynlds. O/S 0.0 92	400	26½	27	−0⅛	−1⅛	14.56
Saskatchewan 16 89	125	102⅝	103⅛	−0⅛	−1½	15.21
Shell Canada 14⅝ 92	125	97½	98	−0⅝	−1½	14.81
Spain 15⅝ 87	100	99½	100⅛	+0⅛	−0⅝	15.74
Superior O/S Fin. 14 89	125	94⅛	94⅝	—	—	15.33
Swed. Exp. Cr. 15⅛ 89	100	98⅝	99⅛	−0⅛	−1	15.48
Swed. Exp. Cr. 14⅝ 90	100	95⅛	95⅞	−0½	−1⅛	15.74
Swed. Exp. Cr. 0.0 94	200	20⅛	20⅝	0	−1⅛	14.37
Union Carbide 14⅛ 89	150	99⅛	99⅝	−0⅝	−1½	14.88
Wells Fargo I. F. 15 87	75	99⅛	99⅝	−0⅝	−2⅝	15.06
World Bank 15⅝ 89	250	99½	100	−0½	−1½	16.26
World Bank 14⅝ 87	500	96⅝	97⅛	−0⅝	−1½	15.18

Average price changes... On day −0½ on week −1½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¼ 92	150	99	99⅝	−0⅛	−0½	9.34
Australia 9½ 91	300	102⅛	103⅛	−0½	−0⅞	8.88
Australia 9⅝ 91	200	102⅝	103⅛	−0⅝	−0⅞	8.85
Barclays O/S In. 8½ 94	100	96⅛	96⅝	—	—	8.88
Canada 8½ 89	200	100⅝	101	−0⅛	0	8.35
Comp. Tel. Esp. 10½ 92	100	100⅞	101⅜	0	−0⅛	10.29
Cred. Foncier 8⅝ 92	100	97½	98⅛	—	—	9.08
Denmark 10 89	100	100⅜	101⅛	0	−0⅝	9.80
Denmark 10⅛ 92	100	101⅝	102⅛	0	0	9.78
EDF 9⅞ 92	100	100⅝	101½	−0½	−0½	9.72
EEC 9⅝ 94	200	102⅝	103⅝	0	−0½	9.31
EIB 8⅝ 92	100	96⅝	97	—	—	8.90
Int.-Am. Dev. Bk. 9 92	150	98⅝	99⅛	−0⅝	−0½	9.15
Ireland 10⅛ 86	100	101⅞	102⅜	0	+0⅛	9.46
Nacnl. Financiera 11 90	150	98⅝	99⅞	0	−0½	11.06
Nat. West. 9⅞ 92	100	103⅞	104⅜	+0½	−0⅛	9.17
OKB 9⅞ 86	150	101⅞	102⅜	−0⅞	−0⅝	9.25
Philip Morris 8⅝ 90	100	99⅝	99⅞	—	—	8.29
Quebec 10½ 92	150	103⅝	104⅛	−0½	−0⅝	9.46
Renfe 10 92	100	99⅝	100⅛	−0⅝	−0⅝	10.02
Tauernautobahn 9⅞ 94	50	102⅛	103⅛	−0⅝	−0½	9.45
World Bank 9½ 89	100	101⅞	102⅜	+0⅛	+0⅛	9.03
World Bank 8½ 92	200	97⅛	98⅛	—	—	8.83

Average price changes.. On day −0½ on week −0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6⅝ 92	100	101	101⅜	—	—	6.09
Asian Dev. Bank 7 92	100	100⅛	100⅝	—	—	6.91
Aucalsa 7⅛ 92	90	98⅝	99⅛	−0⅛	+0½	7.90
Australia 6½ 94	100	103½	103⅝	−0½	+0⅝	6.06
Cae. Nat. l'Energie 7 92	100	101½	101⅝	−0⅛	−0⅞	6.77
CFE-Mexico 8⅛ 92	50	99	99⅝	−0⅝	+0⅝	8.38
Co-op. Denmark 8⅛ 92	25	104⅛	105	−0½	−0½	7.64
Crown Zellrbch. 6⅝ 92	100	102	102⅝	−0⅝	0	6.45
Europarat 7⅛ 92	100	101⅝	102	—	—	6.98
First City Fin. 8⅛ 92	25	103⅝	104	+0⅝	+0⅝	7.66
Ind. Fond Finland 6⅝ 92	30	98⅝	99	—	—	6.91
Kobe City 6⅛ 92	100	101⅛	101⅝	—	—	5.95
Kommunlans 7⅛ 92	35	101	101⅝	+0⅛	+0⅛	7.09
Manitoba 7 92	100	105	105⅝	−0⅝	−0⅝	6.27
Mitsui OSK 6⅛ 92	100	100⅝	101⅛	−0⅝	−0⅝	6.36
National Pwr. Co. 8 92	30	104	104⅝	0	+0⅝	7.38
Nippon T. and T. 6⅝ 92	100	103⅛	103½	0	+0⅝	6.15
OKB 7⅛ 92	100	104	104½	−0⅛	−0⅛	7.14
Ost. Postspar 7½ 92	100	104	104⅝	0	+0⅝	6.90
Philip Morris 6⅝ 92	100	104	104⅝	+0⅝	−0⅛	6.05
Philip Morris 6⅛ 94	100	102	102⅛	—	—	6.60
Quebec 7⅛ 92	100	105⅞	105⅞	−0½	+0⅝	6.59
Renfe 7⅛ 92	80	100	100⅝	—	—	7.73
Sekisui Pre. 6⅝ 92 WW	70	104⅝	105	0	+0½	5.11
Soc. Lux. de Cnt. 8⅛ 92	80	106⅝	107	+1⅝	+0⅝	7.00
Vorarlberg Krftr 6⅝ 92	50	102⅝	102⅞	−0⅝	+0⅛	6.36

Average price changes... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 81	15	100	101	+0½	+0⅛	8.16
Int.-Amer. Dev. 8⅞ 91	15	101½	102½	−0⅛	−0⅛	8.54
Japan Airlines 7⅝ 87	9	96⅛	96⅝	−0⅝	−1⅛	8.80
New Zealand 8⅛ 87	15	99⅝	100⅛	+0½	−0⅝	8.31
World Bank 8⅛ 92	20	99⅝	100	+1⅛	−0⅝	8.42

Average price changes... On day +0⅛ on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 18 89 C$	100	†96⅛	96⅝	—	—	15.81
Can. Pac. S. 16½ 89 C$	50	†98⅛	98⅝	−0⅝	−1	16.72
Crd. Foncier 17⅛ 89 C$	30	†99⅛	99⅝	−0⅝	−1	17.22
Hudson Bay 17 89 C$	40	†99⅛	99⅝	−0⅝	−1	17.23
Q. Hyd. 16½ 89 (My) C$	50	†98⅛	99⅛	0	0	16.74
Quebec Prov. 16½ 89 C$	50	†98½	99	—	—	16.75
Simpsons 16⅝ 89 C$	40	†97	97½	0	−0⅛	17.40
U. Bk. Nwy. 9½ 90 EUA	18	†88⅝	90⅛	−0⅛	−0⅛	11.50
Amro Bank 10 87 Fl	150	98⅝	99⅛	−0⅛	−0⅛	10.12
Bk. Mees & H. 10 87 Fl	75	98⅝	99⅛	−0⅛	−0⅛	10.26
Eurofima 10½ 89 Fl	50	100⅛	101⅛	−0⅛	−0⅛	10.27
Ireland 10½ 87 Fl	75	99	99½	—	—	10.67
Phil. Lamps 10⅛ 87 Fl	100	100⅛	101	0	−1	10.03
World Bank 10 87 Fl	150	98⅝	99⅛	−0⅛	−0⅛	10.30
OKB 14 86 FFr	400	92⅝	93⅝	−0⅝	−0⅝	16.75
Solvay et C. 14⅝ 86 FFr	200	91⅝	92⅝	−0⅛	−0⅛	17.66
Acona 14 85 £	20	96	97	+0⅛	+0⅛	15.27
Beneficial 14⅛ 90 £ (D)	20	89⅛	90⅛	0	+0⅛	16.51
BNP 13½ 91 £	15	93⅛	94⅛	+0⅛	+0⅛	14.73
CECA 13½ 88 £	20	95⅝	96⅝	+0⅛	+0⅛	14.51
Fin. Ex. Cred. 13⅝ 86 £	15	95⅛	96⅛	+0½	+1	15.11
Gen. Elec. Co. 12⅛ 89 £	50	93	94	+0⅛	+0⅛	14.02
Hiram Walker 14⅛ 86 £	25	98⅛	99⅛	+0½	+0⅛	14.65
Privatbanken 14½ 88 £	12	94½	95⅛	0	+0⅛	15.87
Quebec 15½ 87 £	35	102⅛	103⅛	+0⅛	+0⅛	14.86
Reed (Nd) NV 16⅛ 89 £	25	103⅞	104⅞	0	+1⅛	15.50
Royal Trustco 14 86 £	12	98⅝	98⅝	+0⅛	+0⅛	14.34
SDR France 15½ 92 £	30	100⅛	100⅝	0	+0⅛	15.39
Swed. Ex. Cr. 13⅝ 86 £	20	98⅝	99⅛	+0⅛	+0⅛	14.15
Eurofima 10½ 87 LuxFr	500	95⅝	96⅝	0	0	11.40
EIB 9⅝ 88 LuxFr	600	92⅝	93⅝	−0⅛	−0⅛	11.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0⅛	98⅛	98⅝	18/10	15.69	15.93
Bank of Montreal 5⅛ 91	0⅛	99	99⅛	29/10	15⅛	15.24
Bk. of Tokyo 5⅛ 91 (D)	0⅛	98⅝	99⅛	10/5	13⅛	13.38
Bk. Nova Scotia 5⅛ 93	0⅛	99⅛	99⅝	29/10	16⅛	16.20
BFCE 5⅛ 88	0⅛	99⅛	99⅝	28/10	15	15.08
BFCE 5⅛ 87	0⅛	99⅝	99⅞	27/7	16⅛	16.31
Caisse Nat. Tele. 5⅛ 90	0⅛	99⅛	99⅝	21/10	15⅝	15.83
CCCE 5⅛ 2002	0⅛	98⅝	98⅝	11/6	14.82	15.02
Co-Ban Eurofin 5⅛ 91	0⅛	99	99⅛	14/10	16	16.12
Credit Agricole 5⅛ 97	0⅛	99⅛	99⅝	24/9	15.44	15.63
Credit Lyonnais 5⅛ 97	0⅛	99⅝	99⅞	1/10	15	15.06
Credit Nat. 5⅛ 94	0⅛	98⅝	98⅞	3/8	14.69	14.89
Denmark, Kngdm. of 92	0⅛	99⅛	99⅝	25/8	15.44	15.55
Den Norske Cred. 5⅛ 93	0⅛	98	98⅝	4/12	15	15.27
Ind. Bank Japan 5⅛ 88	0⅛	99⅛	99⅝	12/11	14½	14.57
Ireland 5⅛ 89/94	0⅛	†99⅝	99	25/11	14⅛	14.94
Kansallis Osake 5⅛ 92	0⅛	98⅝	99⅛	8/11	16.31	16.39
Lloyds Eurofin 5⅛ 93	§0⅛	98⅝	99⅛	29/10	17⅛	17.21
Long Term Cred. 5⅛ 92	0⅛	98⅝	98⅞	29/11	14⅝	14.83
J. P. Morgan 5⅛ 97	§0⅛	98⅝	99⅛	12/8	14⅝	14.77
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅝	15/7	15.19	15.28
New Zealand 5⅛ 87	0⅛	99½	100	7/10	15.55	15.60
Nippon Credit 5⅛ 90	0⅛	99⅛	99⅝	10/8	15.06	15.15
Offshore Mining 5⅛ 91	0⅛	89	99⅛	2/12	14.15	14.29
PKbanken 5 91	0⅛	99	99½	17/6	14⅛	14.48
Scotland Int. 5⅛ 92	0⅛	98⅝	99⅛	23/9	15⅛	15.53
Sec. Pacific 5⅛ 91	0⅛	99⅛	99⅝	24/11	15	15.06
Societe Generale 5⅛ 95	0⅛	99⅛	99⅝	1/9	15.31	15.41
Standard Chart. 5⅛ 91	0⅛	98⅝	99⅛	18/11	14⅞	15.01
Sumitomo Fin. 5½ 88	0⅛	99½	100	9/3	16	16.04
Sweden 5⅛ 89	0⅛	99⅛	99⅝	29/8	15.31	15.41
Toronto Domin'n 5⅛ 92	0⅛	99⅛	99⅝	11/8	16⅛	16.48

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ajinomoto 5⅛ 96	7/81	933	84⅛	85⅝	−2	2.49
Bow Valley Inv. 8 96	4/81	23.12	99	100⅛	−0⅛	63.60
Bridgestone Tire 5½ 96	3/82	470	82	83½	−0⅛	−3.04
Canon 6⅛ 96	1/81	829	87⅛	89⅛	−4⅛	4.75
Daiwa Secs. 5 96	12/81	513.3	†64	66	0	5.21
Fujitsu Fanuc 4¼ 96	10/81	5641	86	89	−3⅛	7.06
Furukawa Elec. 5⅛ 96	7/81	300	90	91⅛	−3	−6.19
Hanson O/S Fin. 9½ 96	8/81	1.38	†94	95	0	−8.11
Hitachi Cable 5⅛ 96	2/82	515	85⅛	87⅛	−3½	1.95
Hitachi Cred. Cpn. 5 96	7/81	1612	81	83	+3	13.31
Honda Motor 5½ 97	3/82	841	79⅛	80⅛	−3⅛	−2.54
Inchcape 8 95	2/81	4.55	†50⅛	60	0	18.42
Kawasaki 5⅛ 96	9/81	229	61⅛	62⅛	−1⅛	2.63
Marui 6 96	7/81	846.4	101⅛	103	−2	0.82
Minolta Camera 5 96	10/81	325.4	61	62⅛	−0⅛	20.99
Minorco 9⅛ 97	5/82	8.16	†86⅛	87⅛	−0⅛	35.84
Murata 5⅛ 96	7/81	2168	68⅛	67⅛	−1⅛	11.79
NKK 6½ 96	7/81	188	72	73⅛	−4⅛	−22.11
Nippon Chemi-C. 5 91	10/81	919	62	64	−1	15.68
Nippon Electric 5⅛ 97	2/82	848	89⅛	90⅛	−3⅛	1.78
Orient Finance 5⅛ 97	3/82	1205	91⅛	93⅛	−2⅛	8.69
Sanyo Electric 5 96	10/81	652	68⅛	70	−2	12.49
Sumitomo Elec. 5½ 97	3/82	577.3	86⅛	88	−1½	3.18
Sumitomo Met. 5⅛ 96	10/81	296.1	62⅛	63⅛	−1⅛	30.42
Swiss Bk. Cpn. 6⅛ 90	9/80	181	78	80	0	32.55
Konishiroku 6 90 DM	2/82	585	101	102	0	3.95
Mitsubishi H. 6 89 DM	2/82	263	90⅛	91⅛	−1⅛	20.39

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month: § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Cash problems pile up for a Swiss eating chain: **John Wicks** reports

Breathing space for Wienerwald

WIENERWALD HAS been pulled back from the brink. Just as it seemed that its bankers were about to call in their loans, the Swiss-based restaurant and botels group bas heen given a further six months breathiog space in which to come up with a strategy for survival.

The company and Herr Friedrich Jahn, its owner and founder, have until the eod of November to sort out the problems at Wienerwald. As recently as 1980, it was ranked as the third largest catering group in the world, wedged in between McDooald's and Trusthouse Forte, but now it is burdeoed with weak cash-flow and heavy debts.

Although no formal decision has been taken hy Wienerwald's 24 creditor banks—wbo are owed a total of DM 257m ($109m)—it bas become clear over the past few days tbat the risk of an immediate, large-scale withdrawal of bank finance has been removed.

Until March this year, Weinerwald had heen considered ooe of the great auccess stories of post-war private enterprise. Herr Jahn, a former Austrian waiter, and his wife, opened a modest chicken restaurant in Munich in 1955. Within nine years, the venture had become a top European restaurant chain: and hy 1981 comprised more than 1,400 restaurants, 46 hotels and had a total turnover of SwFr 1.77bn ($870m) in 18 countries.

This expansion is the reason for Wienerwald's current financial difficulties. Although no balance sheet or profit-and-loss accouot have been published, nearly all earnings appear to have been ploughed back into the business. At the same time, debts totalling DM 257m — one-third of them short-term—were incurred with Swiss and German banks to help pay for an ambitious investment programme centred on U.S. restaurants, the Tourotel chain of hotels in Europe and the German travel agency, Jahn-Reisen.

This subjected corporate liquidity to considerable strain. The American restaurant chains run by International House of Pancakes and Lums, two Wienerwald acquisitions, will show a combined profit of only $2.5m this year, while Jahn-Reisen—since sold—would probably just about have reached break-even in 1982 having cost DM 43m.

The crisis came into the open in March when it became known that two small German banks had called in a total of DM 3m of short-term debt and that other bank creditors were to hold a meeting in Zurich. Herr Jahn, in America with a group of journalists to show the results of tbe group's $58m investment programme there, denied that Wienerwald had a liquidity problem. He added, however, that difficulties would arise if any further banks asked for early repayment, and hurried back to Europe to put things right.

New management concept demanded

Although the company hlamed "ill-founded rumours" for its embarrassment, it accepted a short-term liquidity grant of DM 5m from its banks at the end of March and a subsequent medium-term support of DM 20m. The banks, who undertook to extend tbeir credit lines, demanded a "new management concept" for the group by April 30.

A month proved too short a time for the company to come up with a new policy, though a first step towards restructuring was taken by tbe sale of the loss-making Jahn-Reisen and the chicken-grill manufacturer, Wiwa - Geraetebau. The creditors, represented by an eight-bank consortium headed by Swiss Bank Corporation, continued their attempts after April 30 to reach a lasting agreement.

By the end of May, however, the consortium was on the verge of breaking-up in disarray. Largely because of the resignation of Herr Klaus Reindl from the company. Herr Reindl bad re-joined the management of the important German division of Wienerwald on April 1—only to leave again at the end of last month. With Herr Jahn absent in the U.S. looking for financial backing, the consortium dissolved.

Then came the unexpected breakthrough. Although Wienerwald was confronted by the collapse of the consortium and the daunting task of negotiating with each individual bank, it managed to get almost all of them together once more in Zurich last week. The bankers saw that the company needed what one of them called a "breathing space" to get itself sorted out, and those preseot favoured a pact on outstanding debt until November 30, with paymeot of interest but no repaymeot of principal.

However, it is not certain whether all creditors will agree to this; Bank vom Linthgebiet, a small Swiss regional bank, is quoted in a Zurich newspaper as saying that parts of a SwFr 4.6m credit have been called in.

Wienerwald is understood to have promised the banks that it will concentrate its future business thrust on its restaurant operations. The six months' grace period is needed for divestments, among other things. Since Jahn-Reisen and Wiwa as the main non-restaurant activities have already been sold, this presumably means a thinning-out in the hotel sector. At present, the group operates 31 "Wienerwald" hotels, 12 "Tourotels" and two holiday botels in Majorca, as well as being franchisee of a Travelodge near San Francisco airport owned by Trusthouse Forte.

An international firm of auditors has been appointed to inspect the financial situation, and Wienerwald has said it will soon present its first consolidated balance sheet.

It remains to be seen to what extent the new trading approach will affect the position of Mr Jahn as proprietor of a concern be has hitherto run very much on his own. The board of the Swiss holding company is to remain unchanged—though the former parliamentarian, Dr Alfred Weber, has recently resigned and the three remaining directors now have to sign in pairs instead of singly.

Proprietors power likely to change

It seems unlikely that Mr Jahn and his son-in-law and co-director, Herr Guenter Steinberg, will have quite the same power in runniog the husiness as in the past. It is also not yet known to what extent, if at all, Herr Jahn has added to the banks' liquidity support with personal funds.

Group profits are said to be up to previous years' levels despite the current recession, the U.S. operations are to be streamlined by the merger of tbe International House of Pancakes and Lums and funds will accrue from the disposal of franchises. By the end of 1982, two-thirds of all restaurants will have been passed over to franchisees.

At all events, Wienerwald has had to re-think what appears to have heen a policy of untrammelled growth. Herr Jahn may still want convincing. "Never again shall I make myself dependent on a bank," he had said bitterly at a recent Press conference.

Montedison suffers record deficit

By James Buxton in Rome

MONTEDISON SPA, the holding company for the giant Italian chemical concern, more than doubled its losses, to L598bn last year—the largest in its history. The loss of the entire group was L619bn ($472.5m).

The holding company loss, which is blamed on bad trading conditions, especially in the petro-chemical and plastics field, and on very high financial charges compares with one of L230.8bn in 1980. The largest previous loss in the company's history was one of L509bn in 1977.

Consolidated turnover for the group was L8.927bn, up 14.7 per cent on 1980. Of this some 22 per cent was exported.

Bad figures had been expected for Montedison, which lost L296bn in the first half of 1981. Yesterday the directors proposed that the loss be covered by existing reserves.

That would take net financial assets down to L756bn as of the end of last year. But with the aid of the recent capital increase of L640bn, the company's net assets have since risen to L1,396bn. The capital increase will substantially reduce the borden of debt charges for the current financial year.

To raise new funds Montedison is to issue through the merchant bank Mediobanca, a convertible bond issue for L200bn. The bonds will be convertible into shares of the profitable Montedison subsidiary, Selm, which runs 22 power stations.

Last year the Montedison group invested L429bn and set aside L500bn for depreciation. It spent L199bn on research.

Montedison which in the late 1960s and early 1970s was regarded as one of the most powerful groups in Italy, has not paid a dividend since 1974. For the past few years, it has been in an almost permanent period of restructuring, involving sales of assets and increasingly drastic attempts to raise productivity.

Last year, the Government decided that the two state holding companies, IRI and ENI, should sell their 17 per cent stake which had given them a majority in the controlling shareholders syndicate to the private sector. It was bought by a consortium of Fiat, Pirelli and the Bonomi and Orlando Group.

Yesterday, the company said that thanks to the measures it had taken last year, productive efficiency had improved allowing operating margins for 1981 to be about the same as in 1980 when market conditions were less severe.

Ruhrgas leads consortium in DM 350m gas bid

BY KEVIN DONE IN FRANKFURT

A CONSORTIUM of West German energy companies led by Ruhrgas, the dominant gas importing and distribution company in the Federal Republic, is to take over Salzgitter Ferngas, one of the smaller West German gas transmission companies in a deal understood to be worth between DM 300m and DM 350m ($148m).

Salzgitter Ferngas is a wholly-owned subsidiary of Deutsche Schachtbau- und Tiefbohrgesellschaft, the oil and gas producing subsidiary of Salzgitter, the state-owned steel and mechanical engineering group. The deal has still to be approved by the West German cartel authorities.

For Salzgitter the sale of its gas distribution subsidiary will provide a welcome injection of new funds at a time when heavy losses are being incurred in steel production.

An outright takeover by Ruhrgas would almost certainly have foundered on the opposition of the Federal Cartel Office. The West German gas group has therefore put together a consortium of other energy companies and taken a significant minority holding itself.

Under the planned deal, Ruhrgas will hold directly 24 per cent of the voting rights and 39 per cent of the equity.

In addition, it will take a stake in a holding company together with Thyssengas and Gas Union, Frankfurt, which will hold a further 24 per cent of the voting rights and 25 per cent of the equity.

Other companies involved in the takeover will be BEB, a Shell/Esso joint venture, which will hold 13 per cent, and EVG Münster, a gas transmission company in Westphalia, with 13 per cent. In addition a number of local authority energy transmission companies in northern Germany are taking 10 per cent of the capital of Salzgitter Ferngas and 26 per cent of the voting rights.

Profits up despite volume dip

BY OUR FRANKFURT STAFF

RUHRGAS, the leading West German natural gas importing and distribution company, boosted it turnover by 39.7 per cent last year to DM 12.7bn as a result of sharply rising gas prices.

Group after-tax profits also rose by 16.9 per cent to DM 259.9m, despite a drop in volume sales.

Overall energy consumption in West Germany fell by around 4 per cent last year with demand for natural gas dropping by 6.8 per cent to 59.3m tonnes of coal equivalent (tce).

Ruhrgas' own volume sales dropped by 6.5 per cent or 27.8bn kWh (kilowatt hours) to 396.8bn kWh, chiefly because of the growing substitution of natural gas by coal in power generation, and because of falling deliveries to large industrial users.

Ruhrgas' return on sales dropped last year to 2.03 per cent from 2.35 per cent in 1980 continuing the downward trend of recent years. Dr Klaus Liesen, Ruhrgas chief executive, said the company was concerned about the danger of profitability failing to keep in step with sharply rising sales, and the increasing risks of the international gas industry.

"We only sell one product," Dr Liesen said, "and have no possibility of compensating for the risks of this sector through taking advantage of chances offered in other industrial activities."

Ruhrgas, which is owned chiefly by a group of light energy and industrial concerns—a Shell/Esso joint venture, 29.49 per cent, British Petroleum, 25.5 per cent, Ruhrkohle, 17.99 per cent, Mannesmann, 3.16 per cent, Mobil, 7.3 per cent, Estel Hoesch, 4.6 per cent and Texaco 3.49 per cent—is increasing its nominal equity by DM 150m to DM 765m.

The capital increase is being achieved by transforming part of its reserves into equity. The new shares will pay a dividend from the beginning of 1981.

Air Liquide increases net earnings by 14.5%

BY DAVID WHITE IN PARIS

THE RELENTLESS rise in profits at Air Liquide, the French industrial gases group, continued last year, but at a slower rate than in 1980, according to the first consolidated figures released yesterday.

Group net earnings increased by 14.5 per cent to FFr 649m ($105m) after climbing by almost a third in 1980 to FFr 566m.

This reflected a slower rise in consolidated turnover, which reached FFr 12.4bn compared with just over FFr 11bn in 1980 and FFr 8.7bn in 1979.

Earnings per share, excluding extraordinary gains, rose to FFr 37.88 from FFr 33.07, the company said, in an announcement made ahead of today's annual shareholders' meeting.

Since 1977, Air Liquide's profits have virtually doubled on sales increased by 80 per cent.

About three quarters of the group's business is in industrial and rare gases and related applications such as welding.

It also has interests in engineering and chemical products, including fertilisers; but is more specialised than its main U.S. and European competitors.

Solvay sees recovery

By Our Financial Staff

Solvay, the Belgian chemical group, expects to return to profitability in the first half of this year, from losses of BFr 752m ($16.35m) in 1981.

Mr Jacques Solvay, chairman, told the annual meeting that the first four months of 1982 have yielded a "comfortable consolidated profit" and that the group result in the first six months would definitely be out of the red.

Vallourec plans FFr 102m rights

BY OUR FINANCIAL STAFF

VALLOUREC, THE steel pipe group, plans to raise FFr 102m ($16.5m) through a one-for-four rights issue at FFr 100 (par) a share. The company's shares were changing hands on the bourse yesterday at FFr 134.

Having run up losses of FFr 63m in 1980, the group is expected to move out of the red for 1981. Its parent company results were back in profit; and group sales for 1981 were 18 per cent ahead.

Further losses for Elkem

BY FAY GJESTER IN OSLO

ELKEM, THE Norwegian mining, metals and manufacturing group, reports a loss of NKr 56m ($9.25m) on operations in the first four months of this year, against a profit of NKr 3m in the same period last year, despite a rise in turnover to NKr 1.83bn from NKr 1.23bn.

The higher sales reflect the acquisition in mid-1981 of five ferro-alloy plants, three in the U.S. and two in Norway, from Union Carbide of the U.S. In 1981 as a whole, Elkem made a loss of NKr 152.5m.

The group blames the poor results on the international recession, combined with high interest rates and cost developments in Norway.

A deficit is also likely for the current four months but the board expects an improvement in results towards the end of the year.

It points out that even a slight increase in the price of ferro-alloys or aluminium would considerably improve group earnings. The sales value of these two products in 1982 is now estimated at NKr 3.3bn.

PLM four-month advance

BY WILLIAM DULLFORCE IN STOCKHOLM

PLM, the Swedish metal can, packaging and waste recovery group, increased earnings from SKr 0.9m to SKr 7.4m ($1.27m) in the first four months. Mr Ulf Laurin, managing director, said that profits are now definitely on the upward path.

Sales climbed by 11 per cent to SKr 844m and all divisions except for paper turned in better results. The operating profit rose from SKr 21.5m to SKr 37.1m, but a SKr 9m increase in net interest costs limited the improvement.

The operating profit of PLM PAC, the Swedish consumer packaging unit, rose by nearly SKr 3m to SKr 12.8m. The new aluminium can plant, which has absorbed heavy investments, has a full order book.

The Swedish Riksdag (Parliament) has just approved a plan for the establishment of a special company, owned jointly by PLM and a number of breweries and food retailers, to operate a recycling system for the new aluminium cans. A minimum recycling rate of 75 per cent is to be reached by 1985.

ICI Australia downturn blamed on cheap imports

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ICI AUSTRALIA, in which ICI of the UK has a controlling stake, has reported a lack-lustre performance for the six months to March 31, 1982, with profits after tax but before extraordinary items, 10.5 per cent lower at A$17m (U.S.$17.85m) on external sales of A$637m compared with A$612m.

Earnings per share fell from 10.2 cents to 9.2 cents in the period and the interim dividend is held at 6 cents per share.

The company particularly blamed lower earnings from petrochemicals and plastics for its disappointing interim performance, saying the Australian industry had suffered from "abnormally low priced imports from depressed overseas economies," including Canada and the U.S.

It said provisional anti-dumping measures had been imposed by the government in some product areas, but that intense market pressures continued.

In the full year to last September 30, ICI Australia's net profit before extraordinary items fell by 24 per cent, from A$61.8m to A$46.8m, on sales of A$1.27bn against A$1.2bn. Earnings per share fell from 34.4 cents to 29 cents and the dividend total was held at 15 cents.

In the latest six months period, consolidated profit before income-tax of A$17.5m compared with A$20.7m, minority interests of A$2.6m (same), and extraordinary profits of A$4.46m (nil), was A$37.1m against A$42.3m.

The company said there had been growth in sales of industrial explosives, heavy chemicals and pharmaceuticals, but fertiliser sales had been reduced by drought. Synthetic fibre sales were lower, and demand for textiles and clothing had been subdued.

Sales and profits at the 75 per cent owned ICI New Zealand were ahead, but the 70 per cent owned Dulux Australia earned lower profits.

Tiger and Premier in battle for M and F

By Chris Wilson in Johannesburg

SOUTH AFRICA'S two largest food groups, Tiger Oats and Premier Group, are fighting for control of Monis and Fattis (M and F), a flour milling and pasta manufacturing company which is of considerable strategic importance to both sides.

After attempting to block an earlier R23m ($21.2m) bid for 51 per cent of M and F by Premier, Tiger countered last week with a R31m offer for the same percentage of the equity. Tiger aggressively sought and gained acceptance of its offer at the weekend, but a court action brought by Premier on Sunday night blocked the transfer of M and F's shares to Tiger.

Acceptance of Tiger's offer came from the majority shareholders of Monis Brothers, the unlisted, family-owned company which holds 81 per cent of M and F's equity. Tiger is confident that its higher offer should guarantee an eventual victory, but the legal dispute centres on the question of whether the shareholders of Monis Brothers are legally bound by an earlier agreement with Premier.

Premier is adamant that it already has control of M and F in terms of an agreement concluded with Monis Brother's chairman, Mr John Moni. He can call on the support of holders of 75 per cent of the equity in Monis Brothers and Premier claims he has already signed documents which are binding on the shareholders of the family-owned company.

The Moni family was, however, divided on which offer to accept. Premier's chairman, Mr Tony Bloom, has described Tiger's offer as "an emotional bid" and indicated that Premier is not prepared to raise its price.

Tiger believes that Mr John Moni's acceptance of the Premier offer is not binding on either the minority or majority shareholders of Monis Brothers. Tiger is backed by a dissident family member, Mr Benito Moni, who owns 25 per cent of the equity in Monis Brothers. It has been argued by Tiger that Mr Benito Moni granted Tiger a first option on his Monis Brothers shares several months ago.

Arab banks urged to seek new business

By Peter Montagnon, Euromarkets Correspondent

ARAB BANKS should diversify out of syndicated lending into fee-generating investment banking activities, according to Mr Abdullah Saudi, president of the Bahrain-based Arab Banking Corporation.

"Euroloans are only one activity. Let us not concentrate just on Euroloans," he told a conference in London on Arab Banking and Finance organised by the Arab Bankers' Association.

Arab Banking Corporation would almost certainly do less syndicated lending this year than it did last, Mr Saudi said later. In its first 22 months of operation to December last year, it played a lead management role in loans totalling $20.7bn.

The decision to cut back on this business was only partly due to a need to avoid having "all one's eggs in the same basket," Mr Saudi said. Such factors as risk and profitability also had to be taken into account.

Arab banks generally should step up their efforts in the field of investment banking and corporate finance, he told the conference. In the coming decade this offered the Arab world a chance of more stable foreign exchange income than reliance on oil exports alone.

But he also warned that Arab banks should pay close attention to ensuring that they had an adequate capital base.

Israel Discount Bank to make $16m rights issue

BY L. DANIEL IN TEL AVIV

ISRAEL DISCOUNT BANK, the country's third largest commercial bank is seeking to raise Sh. 362m ($16m) through a rights issue. Holders of A and B shares, of Series 1 options, and of Series B 2 per cent deferred capital notes will be eligible.

The shares will be offered in the proportion of one new share for 18 held at a price of Sh. 18.5 per ordinary A share, which was traded at the beginning of June at 2651 cents.

An increase in the registered capital of the Israel Discount Bank and of Israel Discount Bank Holdings (the parent company which holds 83 per cent of the shares of the bank) is to be considered by extraordinary general meetings on July 13.

Bank Leumi, the country's largest banking concern has announced meanwhile that it too has increased its capital by completing the sale of a tranche of $60m of capital notes issued by its Antilles based affiliate Leumi International Investments. The notes are redeemable in 1989/92. This brings to $395m the total raised by Bank Leumi on the Eurodollar market since 1976 of which $30m has already been redeemed.

United Engineers payout cut after S$19m loss

BY GEORGIE LEE IN SINGAPORE

UNITED ENGINEERS has announced a pre-tax loss of S$19.3m (U.S.$9.2m) for 1981 compared with a profit of S$3.31m on turnover down by 9 per cent to S$169m.

The operating loss was S$18.5m against a profit of S$3.7m and the after tax loss was S$21.8m compared with a profit of S$104,000.

The company mainly blames the downturn on finance charges which soared from S$3.6m in 1980 to S$10.7m. Foreign exchange losses amounted to S$744,000, and an extraordinary loss of S$3.37m makes a total net loss of S$25.13m.

It has been decided to maintain a gross dividend of 7.5 per cent on the cumulative preference shares but the company is cutting down sharply the gross dividend on its ordinary shares from 7.5 cents to 1 cent per share.

The only cheerful news for shareholders is the announcement of a revaluation of properties owned by the group in 1980 and an associate company. The surplus of S$75.8m has been transferred to reserves.

WORLD STOCK MARKETS

Wall St above worst at 1pm

STOCKS ON Wall Street were weaker at mid-session yesterday, although above earlier lows, while trading was relatively light as many investors moved away from the market amid a background of high U.S. interest rates and a worsening economy.

The Dow Jones Industrial Average, which fell 11.52 on Friday to a 2½-month low, was only a net 2.18 lower at 802.80 at 1 pm after touching 800.70 at the 11.00 am calculation. The NYSE All Common Index was down 22 cents at $63.20, after $63.03, although declines still led advances at mid-session by a three-to-one ratio. Turnover came to 30.21m shares at 1 pm.

Yesterday morning, Continental Bank of Philadelphia raised its prime rate back up to 16½ per cent from 16, leaving only two major banks—Citibank and First National Bank of Boston—at the lower level.

Also weighing on the market was a report by the nation's purchasing managers that the economy suffered a dramatic decline in May and Israel's invasion of Lebanon over the weekend. A decline in the Bond market was also siphoning funds away from stocks.

Oil Drilling stocks, one of the weakest groups in the market last week, continued to decline. Active Schlumberger shed ⅞ to $40⅞, Baker International ¾ to $24½ and Geosource ⅝ to $41⅞.

Cities Service and Mesa Petroleum were both active. Mesa started its tender offer for 15 per cent of Cities Service's stock at $45 a share and rejected Cities Service's offer for up to 37m Mesa shares at $17m each. Volume leader Mesa rose ⅛ to $18⅝ and Cities Service lost 1¼ to $36⅞.

However, several Oil stocks received a boost from last week's news that the UK has raised the price of North Sea oil. Atlantic Richfield rose $1¼ to $41⅛, Standard Indiana $⅞ to $44, Superior $⅝ to $29⅛. Shell $⅜ to $37⅛, Union Oil California $⅛ to $35⅞ and Phillips $¼ to $31⅛.

THE AMERICAN SE Market Value Index was down 1.57 at 257.41 at 1pm. Volume 2.79m shares.

Closing prices for North America were not available for this edition.

Canada

A further broad decline occurred in thin early dealings. The Toronto Composite Index receded 8.2 to 1,452.5 at noon, Oil and Gas 37.8 to 2,486.2, Golds 7.6 to 1,826.4 and Real Estate 110.2 to 3,333.2.

Tokyo

Most shares lost fresh ground in very thin trading, reflecting investor worries over the renewed weakness of the yen against the U.S. dollar, Wall Street's fall on Friday to a 2½-month low and the conflicts in the Middle East and Falkland Islands.

The outcome of the Versailles summit of industrialised nations had little bearing on trading, dealers added.

The Nikkei-Dow Jones Average, which declined 13.07 in the Saturday half-day session, fell 45.08 yesterday to 7,242.39. The Tokyo SE index slipped 2.67 to 542.24, while volume on the First Market reached only 130m shares, against last Friday's 190m.

Selling depressed prices in many sectors, including Light electricals, Motors and Precision Instruments, but Heavy Electric Machine Makers made gains, with Hitachi firming Y7 to Y670.

Toyota Motor eased Y30 to Y1,040, Nippon Electric Y12 to Y794, Sony Y40 to Y3,360, Canon Y9 to Y776 and Victor Y80 to Y2,260.

Germany

A widespread retreat took place in quiet trading, the Commerzbank index weakening 8.3 to 692.0.

A report last Friday of lower incoming orders from abroad hurt export-orientated issues, while a weak Bond market took its toll on interest rate-sensitive shares. The Versailles summit provided no stimulus and the Hamburg State elections were indecisive, dealers commented.

Among Engineerings, Linde lost DM 5 to DM 272, GHH DM 3 to DM 184.50 and Deutsche Babcock DM 3.50 to DM 192.50.

Paris

French and foreign shares were broadly lower in moderate trading as the market responded bearishly to new Mid-east tensions and inconclusive results of the seven-nation economic summit at Versailles.

In lower Metals, Vallourec eased FFr 3.5 to FFr 134 after announcing a one-for-four rights issue at FFr 100 per share.

Hong Kong

Stock prices went into a fresh slide yesterday in further thin trading, with the market index threatening to break through a support level and possibly move much lower.

The Hang Seng Index closed 23.88 weaker at 1,337.48. Turnover on the four exchanges totalled HK$206.44m, little changed from last Friday's HK$207.34m.

Brokers said that Friday's sharp setback on Wall Street and a weaker Hong Kong dollar contributed to the bearish trend. They added that the weaker currency means that the cut in local prime rate just a week ago may now be in jeopardy, or at least stalled where it is.

Analysts said that the market is likely to test the 1,330 level for the index, considered a support level, and if it fails to hold that point, the market may be headed to well below 1,300.

Among the leaders, Cheung Kong lost 40 cents to HK$16.50, Hutchison Whampoa 30 cents to HK$16.50, Hongkong Land 20 cents to HK$7.90 and Swire Pacific "A" 30 cents to HK$11.30.

Singapore

The market accelerated its recent retreat yesterday. In addition to the depressing effect of Friday's Wall Street fall and yesterday's weakness on the Hong Kong stock exchanges, Singapore shares were weighed down by reports that neighbouring Malaysia plans to trim development spending by 1.5bn to 2bn ringgits this year, representing a 10 to 20 per cent cut.

The Singapore Straits Times Industrials Index receded 14.74 to 727.81.

Political and economic news from Malaysia, one of Singapore's biggest trading partners, weighs heavily on the latter's stock market, where many Malaysian companies are listed.

Components of the 30-stock Straits Times Index showed some of the sharpest losses. Motor Distributor Cycle and Carriage dipped 20 cents to S$2.75, while Straits Trading, part of the OCBC stable, fell 30 cents to S$5.75.

MUI and Selangor Properties, two Malaysia-based companies with large property interests who are both subject to frequent bouts of speculation, dipped 14 cents to S$3.38 and 21 cents to S$4.84 respectively.

Australia

Shares generally declined afresh yesterday in further light trading, with the sharp fall on Wall Street on Friday and bearish trading in commodities in London last week further dampening sentiment.

The Australian All Ordinaries index closed 5.3 lower at 492.8, while the Oil and Gas index shed 8.0 to 467.7, Metals and Minerals 4.4 to 351.5 and Industrials 5.8 to 651.5.

However, brokers said that if metal prices in London firmed yesterday in response to the Israeli invasion of southern Lebanon, this would ease pressure on Australian Mining issues.

BHP closed at its lowest level since April 21 with a 14 cents loss to A$7.56, while ANZ Banking dipped 7 cents to A$3.83. ICI Australia eased 4 cents to A$1.61 on announcing lower first-half profits.

The Jackson oil field partners were mainly lower. Claremont declined 6 cents to 73 cents, Santos 6 cents to A$5.30, Vamgas 10 cents to A$7.70 and CSR 7 cents to A$2.88.

NEW YORK

Indices

NEW YORK —DOW JONES

	Ind. P/E Ratio	Long Gov. Bond yield
	7.41	12.96
	7.74	12.87
	8.02	12.77
	9.67	16.01

N.Y. S.E. ALL COMMON

June 4	June 3	June 2	June 1	1982 High	1982 Low
62.42	64.40	64.66	64.37	71.20 (4/1)	62.62 (12/3)

Rises and Falls

	June 4	June 3	June 2
Issues Traded	1,808	1,848	1,847
Rises	330	594	752
Falls	1,098	812	640
Unchanged	400	438	456
New Highs	2	11	2
New Lows	102	128	08

MONTREAL

	June 4	June 3	June 2	June 1	1982 High	1982 Low
Industrials	255.98	269.58	272.22	271.88	332.79 (4.1)	265.98 (4/6)
Combined	250.85	255.15	257.14	257.55	318.08 (4.1)	250.96 (4/6)
TORONTO Composite	1460.9	1484.4	1495.5	1496.0	1956.8 (4.1)	1460.9 (4/6)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Cities Service	1,007,400	36	−1¼
Mesa Petroleum	835,600	18⅝	+ ⅛
Sony	644,200	13⅛	− ⅛
Halliburton	521,400	28¾	− ⅝
Texaco	476,400	29½	− ½
Gulf Oil	467,100	32⅝	− ⅜
Exxon	439,200	27½	− ⅜
IBM	402,400	60⅞	−1¼
Minnesota M-M	383,200	49⅝	−1⅝
RCA	379,400	18½	− ⅛

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SOUTH AFRICA

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

JAPAN

BELGIUM/LUXEMBOURG

BRAZIL

LONDON STOCK EXCHANGE

Base rate hopes bring near 10-point index turnround

All-Share index at all-time high and Gilts up again

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12
July 5	July 15	July 16	July 26

* "New time" dealing may take place from 9 am two business days earlier.

Optimism about imminent U.K. bank lending rate cuts returned to dominate sentiment on London stock markets yesterday. Initially, adverse factors, including concern over the Israeli/Lebanese conflict, the Falklands, and a gloomy CBI survey on UK economic prospects, took a toll. This was reflected in a price markdown as equity dealers, anticipating some nervous selling, protected book positions.

In the event, sales proved to be negligible and values of leading shares soon reverted to Friday's closing levels. Subsequently, the authorities' action in reducing intervention rates in UK money markets for the second successive session touched off investment demand for selected leading shares. Stock shortages became evident and, with jobbers loathe to buck the trend at the start of a new trading Account, rises in some leaders were swift and not warranted by actual trade.

The market's change of direction was illustrated by the FT Industrial Ordinary share index. This measure was five points down at 10 am, unchanged at noon and finally 4.8 up on the day at 592.6, within five points of its all-time record.

The announcement of yet another good UK trading surplus underpinned the firmness in the late business and the FT-Actuaries three main indices attained best-ever peaks, the All-share rising 0.5 per cent to 339.26.

Interest rate speculation also formed a buttress for Gilt-edged securities. Comment urging caution on this front initially induced loose selling and profit-taking, causing losses ranging to ½. These were gradually regained and the currently untapped longer end of the market led the move higher to register fresh gains, extending to ½ among high-coupon stocks. Investment confidence was bolstered, too, by the March trade returns and thoughts that this week's short tap stock offering could attract sizeable applications.

The FT Government Securities index put on 0.24 for an 11-day advance of 2.37, or 3½ per cent, to 70.40 — its highest since March 20, 1981.

Royal Insurance up

A firm Insurance sector was featured by Royals, which jumped 12 to 347p in response to an investment recommendation. Hopes of a bid from the U.S. continued to inspire Minet and the close was 6 higher at a 1982 peak of 202p.

Merchant banks were inclined harder in pieces. Comment ahead of Thursday's preliminary figures helped Hill Samuel to add 4 at 164p, while investment buying lifted Hambros 7 to 135p. The major clearing banks were undecided.

Investment support was again evident in the Brewery sector. Allied-Lyons continued to make progress, improving 2½ more to 99 xd. Whitbread A edged up a similar amount to 123p xd, while Scottish and Newcastle closed 3 firmer at 68p. Elsewhere, Distillers found support and put on 3 to 184p. Reflecting Press mention, HP Bulmer advanced 14 to 422p.

Recently firm leading Buildings turned irregular. Blue Circle softened 6 to 464p, but Tarmac firmed 4 afresh to 586p. Elsewhere, Tilbury Group met renewed support and put on 5 to a 1982 peak of 510p, while Burnett and Hallamshire gained 25 to 855p. William Leech, which announced poor interim results recently, shed 3 to a year's low of 64p.

The Chemical sector made a firm showing. ICI, after opening a shade lower at 326p, picked up to close 2 dearer on balance at 332p. Favourable Press comment helped Fisons to rise 13 to 363p, while Rentokil put on 5 to 171p following a broker's visit to the company. Coalite were actively traded in the wake of the recent annual results and added 3 to 125p xd, while Laporte, responding to the chairman's confident statement at the annual meeting, improved 2 to 149p. Plysu gained 4 to 117p, but Leigh Interests shed that much, to 98p; both companies have preliminary results scheduled for Thursday.

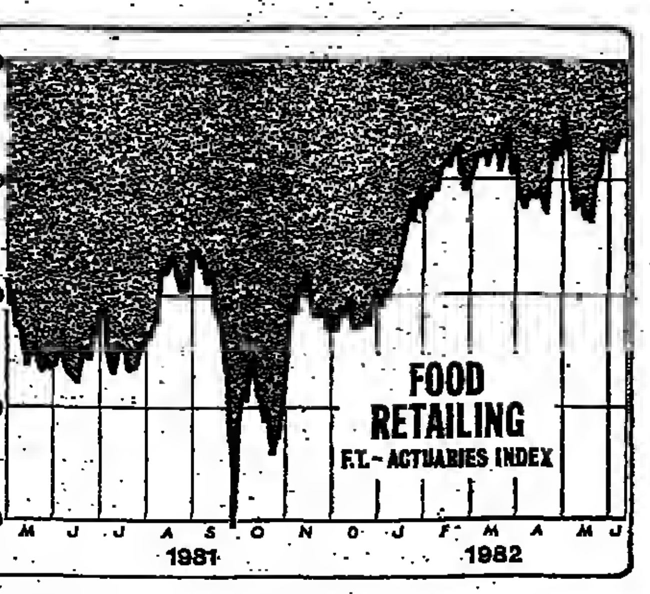
GEC and Plessey good

After Friday's speculative spurt of 9 on reports that British Land has sold its 8 per cent stake in the company at 140p per share to a potential suitor, J. Hepworth touched a 1982 peak of 119p, before ending a couple of pence up at 116p. Elsewhere in Stores, Marks and Spencer firmed 3 to 169p and UDS hardened a penny to 67p. N. Brown Investments hardened the turn to 123p following the results and Greenfield Leisure gained 2 to 38p xd in response to Press comment. Down 18 last week, Sonic-Sound fell 4 to 58p, after 55p, on further nervous offerings ahead of Thursday's interim figures.

The two major defence stocks, GEC and Plessey, began the week well, the former adding 9 to a 1982 peak of 954p and the latter closing 10 higher at 455p. BICC found support and rose 10 to 360p, while Racal rallied from an initially depressed level of 420p to finish a net 2 harder at 430p; the latter's annual results are due on June 22. Thorn EMI traded nervously around the 415p level before improving late to finish a couple of pence dearer on balance at 417p. Elsewhere, United Scientific were notable for a Press-inspired improvement of 15 at 400p, while Muirhead gained 6 to 152p on buying ahead of the interim results scheduled for next Tuesday and continuing hopes of a bid from Tyco Laboratories of the U.S. Meanwhile, Ferranti advanced 8 to 785p on continued talk of a bid from Plessey. Cray Electronic rose 5 to 72p and CASE, dealt in the Unlisted Securities Market, jumped 23 to 303p.

Revived demand in a limited market lifted Yarrow 20 to 365p. Elsewhere in Engineering, Peter Brotherhood contrasted with a fall of 6 to 100p on the annual loss. Anderson Strathclyde, a poor market recently following referral of the bid for the company from Charter Consolidated to the Monopolies Commission, rallied 2 to 127p after the preliminary figures. Buyers showed interest in Francis Shaw, 3 dearer at 15p. Pegler Hattersley edged up 2 further to 216p awaiting tomorrow's preliminary figures. Leading issues were inclined harder, with Hawker noteworthy for a gain of 6 to 346p.

Foods attracted a reasonable two-way business. Tate and Lyle slipped to a 1982 low of 176p before closing unchanged at 178p, while British Sugar, after opening 5 higher at 470p in the wake of favourable Press comment, reacted on the appearance of sellers and closed a net 10 down at 455p. Rowntree Mackintosh met support and firmed 4 to 176p while William Low gained 6 to 192p, the latter on speculative interest.



Metal Box pleases

Golds move ahead

FINANCIAL TIMES STOCK INDICES

HIGHS AND LOWS

S.E. ACTIVITY

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

ACTIVE STOCKS

FRIDAY'S ACTIVE STOCKS

RISES AND FALLS YESTERDAY

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (123)

NEW LOWS (57)

OPTIONS

First Dealings June 7 ... For rate indications see end of Share Information Service.

Money was given for the call of Scottish and Newcastle, J. Hepworth, Rothmans, Eagle Star, UDS, Waddington, Barker and Dobson, Flexello Castings, Imps, Bats, ICL, Metal Box, Boustead and Town and City. No puts were reported, but double options were arranged in Ranald and Courtaulds.

WORLD VALUE OF THE POUND

CURRENCIES and MONEY

$ and £ firm

The dollar improved in currency markets yesterday despite intervention by various European central banks. The firmer trend was based on a recent escalation in Middle East fighting and a rise in Euro-dollar rates.

Sterling was generally firmer despite an easier trend in domestic rates. There was little reaction to the letest trade figures which showed a continued surplus.

The French franc improved within the European Monetary System and was placed above the Irish punt. The D-mark was easier but was still the strongest currency.

DOLLAR — Trade weighted index 115.9 against 115.2 on Friday and 105.8 six months ago. Three-month Treasury bills 12.16 per cent (9.98 per cent six months ego). Annual inflation 6.6 per cent (6.8 per cent previous month) — The dollar rose to DM 2.3820 against the D-mark from DM 2.3560. It was also firmer against the Swiss franc at SwFr 2.0300 up from SwFr 2.0225 and this was its highest closing level since last September. In yen terms the dollar improved to Y245.75 from Y243.75.

STERLING — Trade weighted index 90.9, unchanged from noon and down from 91.0 at the opening but up from Friday's closing figure of 90.6 (91.9 six months ago). Three-month interbank 12⅞ per cent (14⅛ per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous month)—Sterling opened at $1.7870-1.7880 against the dollar and traded within a very narrow range of $1.7870-1.7930 before closing at $1.7915-1.7925, a fall of 40 points. Against the D-mark it rose to DM 4.27 from DM 4.2350 and SwFr 3.64 from SwFr 3.6350. It was also firmer against the French franc at FFr 11.1075 from FFr 11.0450.

D-MARK — EMS member (strongest). Trade weighted index 124.2 against 124.7 on Friday and 122.5 six months ago. Three-month interbank 9.125 per cent (10.55 per cent six months ago). Annual inflation 5.3 per cent (5.0 per cent previous month)—The dollar was generally weaker at yesterday's fixing in Frankfurt. Recent pressure on the French and Belgian franc subsided a little, possibly after official intervention by various central banks. The French franc rose to DM 38.40 per FFr 100 from DM 38.26 and the Belgian franc was higher at DM 5.293 from DM 5.29 per BFr 100. The dollar rose to DM 2.3850 from DM 2.3565 and the Bundesbank did not intervene in support of the D-mark although support outsida the fixing was probable. The D-mark suffered from a rise in Euro-dollar rates and recent losses by the Government in local elections in Hamburg. Elsewhere the Swiss franc rose to DM 1.1684 from DM 1.1665, while sterling was higher at DM 4.2640 from DM 4.2320.

FRENCH FRANC—EMS member (central position). Trade weighted index 79.3 against 79.5 on Friday and 81.3 six months ago. Three-month interbank 16 5/16 per cent (15⅞ per cent six months ago). Annual inflation 13.9 per cent (14.1 per cent previous month)—The French franc recovered in trading yesterday and was mostly higher against major currencies at yesterday's fixing in Paris. The D-mark fell to FFr 2.6046 from FFr 2.6150 and the Belgian franc was lower at FFr 13.789 per BFr 100 from FFr 13.8190. Outside the EMS the dollar rose to FFr 6.2135 from FFr 6.1460 and sterling was higher at FFr 11.1080 compared with FFr 11.0580 on Friday. However the Swiss franc slipped to FFr 3.0418 from FFr 3.0440.

THE POUND SPOT AND FORWARD

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7870-1.7930	1.7915-1.7925	0.20-0.30c dis	−1.67	0.90-1.00dis	−2.12
Canada	2.2400-2.2480	2.2460-2.2470	0.80-0.90c dis	−4.54	2.58-2.68dis	−4.68
Nethlnd.	4.71½-4.74½	4.73-4.74	2-1½c pm	4.44	4⅞-4⅜ pm	3.91
Belgium	80.40-80.85	80.70-80.80	18-28c dis	−3.42	72-82 dis	−3.81
Denmark	14.49½-14.54½	14.52-14.53	6½-7½ore dis	−5.63	17½-19 dis	−5.03
Ireland	1.2270-1.2360	1.2330-1.2345	0.63-0.75p dis	−6.71	2.11-2.33dis	−7.20
W. Ger.	4.25½-4.28½	4.26½-4.27½	1¾-1⅜pf pm	4.22	4⅛-3⅞ pm	3.86
Portugal	129.00-130.50	130.00-130.50	105-380c dis	−22.34	390-1015dis	−20.65
Spain	190.20-190.80	190.55-190.75	55-75c dis	−4.09	235-275 dis	−5.35
Italy	2,357-2,384	2,359½-2,361½	20-23lire dis	−10.93	63½-67½dis	−11.10
Norway	10.90-10.94	10.92-10.93	1½-2½ore dis	−2.20	5⅞-7 dis	−2.36
France	11.07-11.12	11.10½-11.11½	20½-23½c dis	−23.50	43-47 dis	−16.21
Sweden	10.56-10.61	10.58½-10.59½	⅜-1½ore dis	−0.85	1-1½ dis	0.52
Japan	438-443	440-441	2.32-2.12y pm	6.05	6.18-5.99 pm	5.53
Austria	29.97-30.12	30.05-30.10	13-9gro pm	4.39	33-28 pm	3.92
Switz.	3.63-3.67	3.63½-3.64½	2⅜-2¼c pm	8.24	7⅛-6⅞ pm	7.69

Belgian rate is for convertible francs. Financial franc 88.20-88.30. Six-month forward dollar 1.92-2.02c dis. 12-month 3.30-3.40c dis.

THE DOLLAR SPOT AND FORWARD

June 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7870-1.7930	1.7915-1.7925	0.20-0.30c dis	−1.67	0.90-1.00dis	−2.12
Ireland†	1.4475-1.4530	1.4490-1.4520	0.65-0.55c pm	4.97	1.90-1.70 pm	4.97
Canada	1.2520-1.2570	1.2520-1.2525	0.33-0.36c dis	−3.30	0.80-0.85dis	−2.63
Nethlnd.	2.6355-2.6440	2.6355-2.6385	1.35-1.25c pm	6.90	4.00-3.90 pm	6.98
Belgium	44.95-45.08	45.05-45.07	4-7c dis	−1.46	19-23 dis	−1.86
Denmark	8.0970-8.1360	8.0970-8.1020	2.45-2.70ore dis	−3.81	5.60-6.10dis	−2.88
W. Ger.	2.3790-2.3900	2.3815-2.3825	1.17-1.12pf pm	5.77	3.58-3.53 pm	5.97
Portugal	72.00-73.00	72.60-72.85	50-200c dis	−20.62	150-525dis	−18.56
Spain	106.30-106.55	106.40-106.50	20-25c dis	−2.54	85-95 dis	−3.38
Italy	1,316½-1,321	1,316½-1,317½	10½-11½lire dis	−9.78	29½-31½ dis	−6.12
Norway	6.0960-6.1070	6.0960-6.1010	0.10-0.50ore dis	−0.59	0.20-0.60dis	−0.26
France	6.1950-6.2150	6.1975-6.2025	10½-11½c dis	−21.78	21-22½ dis	−14.04
Sweden	5.9080-5.9230	5.9080-5.9130	0.60-0.40ore pm	1.01	2.30-2.10 pm	1.49
Japan	245.10-246.30	245.70-245.80	1.59-1.51y pm	7.57	4.74-4.64 pm	7.63
Austria	16.75-16.82	16.77½-16.78½	9½-8gro pm	6.17	27-24 pm	6.08
Switz.	2.0275-2.0475	2.0295-2.0305	1.70-1.62c pm	9.81	4.90-4.82 pm	9.58

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 7	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.9	−36.0
U.S. dollar	110.9	+8.7
Canadian dollar	86.4	−19.8
Austrian schilling	117.6	+25.8
Belgian franc	95.3	−1.7
Danish kroner	83.7	−13.4
Deutsche mark	124.6	+47.4
Swiss franc	145.2	+94.7
Guilder	114.2	+21.2
French franc	76.3	−14.9
Lira	54.1	−58.9
Yen	134.7	+28.3

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 7	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.624771	0.561447
U.S. $	12	1.11784	1.00587
Canadian $	15.87	—*	1.25986
Austria Sch.	2¾	19.7319	16.8449
Belgian F.	14	50.3972	45.9269
Danish Kr.	11	1.07295	2.14638
D mark	7½	2.66605	2.39349
Guilder	8	n/a	2.65071
French Fr.	2½	6.27540	6.25100
Lira	19	1474.43	1323.60
Yen	0½	n/a	245.750
Norwgn. Kr.	9	6.82385	6.12821
Spanish Pta.	8	119.943	106.882
Swedish Kr.	10	6.61314	5.93727
Swiss Fr.	2½	2.27628	2.04608
GreekDr'ch.	60½	n.a	65.1545

* C$/SDR rate for June 4: 1.40258.

OTHER CURRENCIES

June 7	£	$		£ Note Rates
Argentino Peso	26,500-26,540†	14,850-14,900†	Austria	29.90-30.20
AustraliaDollar	1.7120-1.7140	0.9560-0.9565	Belgium	87½-88½
Brazil Cruzeiro	297.64-298.64	166.21-167.04	Danmark	14.45-14.59
Finland Markka	8.221-8.236	4.5965-4.6045	France	11.05-11.15
Greek Drachma	116.618-117.107	64.50-64.70	Germany	4.24-4.26
Hong Kong Dollar	10.42-10.433	5.8170-5.8200	Italy	2330-2370
Iran Rial	146.75*	81.95*	Japan	440-446
KuwaitDinar(KD)	0.5141-0.5161	0.2874-0.2876	Netherlands	4.70-4.75
Luxembourg Fr.	80.70-80.80	45.05-45.07	Norway	10.87-10.97
MalaysiaDollar	4.14-4.16	2.3100-2.3120	Portugal	126¼-140
NewZealandDlr.	2.3560-2.3600	1.3150-1.3165	Spain	191¾-191
Saudi Arab. Riyal	6.1335-6.1493	3.4268-3.4293	Sweden	10.53-10.63
Singapore Dollar	3.78-3.78	2.1090-2.1110	Switzerland	3.63-3.67
Sth.African Rand	1.9525-1.9540	1.0895-1.0905	United States	1.79-1.80
U.A.E. Dirham	6.5680-6.5790	3.6715-3.6735	Yugoslavia	83-106

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.2242	+1.18	+1.19	±1.5440
Danish Krone	8.18382	8.14638	−0.46	−0.45	±1.6428
German D-Mark	2.41815	2.39342	−1.02	−1.01	±1.1097
French Franc	6.19564	6.23100	+0.57	+0.58	±1.3743
Dutch Guilder	2.67296	2.65071	−0.83	−0.82	±1.5069
Irish Punt	0.686799	0.683039	−0.55	−0.54	±1.6689
Italian Lira	1305.13	1323.60	+1.42	+1.42	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. For Sterling/ECU rate see currency rates table.

EXCHANGE CROSS RATES

June 7	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.796	4.270	440.5	11.108	3.640	4.735	2351.	2.247	80.73
U.S. Dollar	0.558	1.	2.383	245.8	6.198	2.031	2.642	1617.	1.254	45.06
Deutschemark	0.234	0.420	1.	103.6	2.601	0.852	1.109	552.8	0.526	18.91
Japanese Yen 1,000	2.270	4.068	9.684	1000.	25.22	8.263	10.76	5359.	5.100	183.3
French Frank 10	0.900	1.613	3.844	396.6	10.	3.277	4.263	2126.	2.023	72.70
Swiss Franc	0.275	0.492	1.173	121.0	3.052	1.	1.301	648.5	0.617	22.18
Dutch Guilder	0.211	0.378	0.902	93.03	2.346	0.769	1.	498.6	0.474	17.05
Italian Lira 1,000	0.424	0.759	1.809	186.6	4.706	1.542	2.006	1000.	0.952	34.21
Canadian Dollar	0.445	0.798	1.901	196.1	4.944	1.620	2.108	1051.	1.	35.94
Belgian Franc 100	1.239	2.219	5.288	545.5	13.76	4.508	5.864	2925.	2.782	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 7)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 3/4	offer 14 7/8	bid 14 7/8	offer 15

The fixing rates are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 7	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	16-18	[illegible]	11-11	[illegible]		20-22	[illegible]	[illegible]	[illegible]	
7 day's notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	12 11/16-12⅞	14⅝-14⅞	17¼-17⅝	8¾-8⅞	4⅜-5 1/16	9¾-9⅞	37-39	23¾-24⅜	16¼-17¼	14⅞-15⅛	7 1/16-7⅜	16⅝-21⅛
Six months	12 11/16-12⅞	14 11/16-14 13/16	16⅞-17¼	8 11/16-8 13/16	6¾-6⅞	8¾-8⅞	24-26	23¾-24⅜	16-17	14⅝-14⅞	7 1/16-7⅜	18⅝-20⅛
One Year	12 11/16-13 1/16	14¾-14	16⅞-17¼	8⅞-9	5¾-5⅞	8¾-8⅞	21½-26½	23¾-24⅝	15½-19½	14½-14¾	7 1/16-7⅛	17½-19

SDR linked deposits: one month 14 5/16-14 11/16 per cent; three months 13 13/16-14 3/16 per cent; six months 13⅝-13¾ per cent; one year 13 7/16-12 7/16 per cent.
ECU linked deposits: one-month 15 15/16-16 5/16 per cent; three months 14⅞-14¼ per cent; six months 14⅜-14⅝ per cent; one year 13 9/16-13 11/16 per cent.
Asian $ (closing rates in Singapore): one month 14 9/16-14 11/16 per cent; three months 14⅝-14⅞ per cent; six months 14 11/16-14 13/16 per cent; one year 14 11/16-14 13/16 per cent. Long-term Eurodollar two years 14⅜-15 per cent; three years 14⅞-15⅜ per cent; four years 15-15⅜ per cent; five years 15½-15⅞ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following rates were quoted for London dollar certificates of deposit: one-month 14.05-14.15 per cent; three months 14.20-14.30 per cent; six months 14.35-14.45 per cent; one year 14.30-14.40 per cent.

MONEY MARKETS

Bank cuts dealing rates

UK clearing bank base lending rate 13 per cent (since March 12)

Interest rates continued to fall in the London money market yesterday, following the reduction in Bank of England money market dealing rates. With funds in short supply the authorities intervened before lunch to buy bank bills at reduced rates within bands 2, 3 and 4. This led to speculation of an imminent cut in clearing bank base rates by ½ per cent, although the mood of optimism was somewhat tempered by tha failure to cut the buying rate for band 1 bills.

A shortage of around £300m was forecast by the authorities in the morning, but this was revised to £350m in the afternoon. The major factors were: bills maturing in official hands, and a net market take-up of Treasury bills −£413m, plus run-down bank balances −£130m. These were partly offset by Exchequer transactions +£50m, and a fall in the note circulation +£220m.

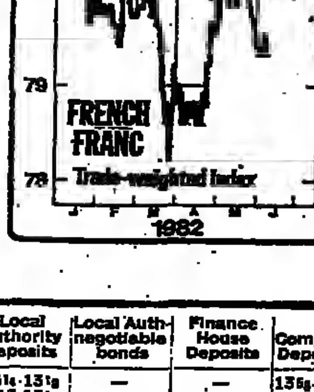
In the morning the Bank of England bought £181m bank bills, made up of £3m in band 1 (up to 14 days) at 13⅛ per cent; £127m in band 2 (15-33 days) at 12⅞-13 per cent; £41m in band 3 (34-63 days) at 12⅞-13⅛ per cent; and £10m in band 4 (68-84 days) at 12⅞-12⅝ per cent.

A further £70m bank bills were purchased in the afternoon, through £3m in band 1 at 13⅛ per cent; £29m in band 2 at 12⅞ per cent; and £38m in band 3 at 12⅝ per cent.

Tha total help of £251m was about £100m less than the forecast shortage, and overnight interbank money remained tight throughout, finishing around 18 per cent.

In New York the Federal Reserve Bank intervened twice to add funds to tha banking system. When Federal funds were trading at 13½ per cent the central bank added $1bn by way of a repurchase agreement for a customer account, and later bought $300m of bills, with funds still at 13½ per cent.

Call money remained around 9 per cent in the Frankfurt money market yesterday in fairly tight conditions. Tha DM 6.1bn added to tha market by way of a securities repurchase agreement, did not balance the withdrawl of DM 8.3bn as a similar 28-day repurchase agreement came to an end. Another agreement runs out next Monday, and unless the liquidity is replaced by the German authorities, conditions are expected to detariorate as large corporate tax payments fall due. There should ba some extra margin for borrowing under the Lombard facility however, with Lombard debt falling to DM 400m last Friday from DM 900m on Thursday.



EUROCURRENCIES

$ rates firm

Tha dollar was mixed in forward foreign exchange trading as Eurodollar interest rates firmed following the increase in lest week's U.S. money supply figures. Eurosterling rates eased, after an initiel firmness, widening the dollar's forward discount against the pound. Euro Swiss franc rates were firmer, narrowing the Swiss currency's forward premium against the dollar, while Euro D-merk rates were steady after an early rise. The German unit's forward premium against the U.S. currency widened as a reflection of the firmer trend in Eurodollar rates, and the firmer trend of the dollar in spot trading.

Forward trading by the weaker members of tha European Monetary System, also tended to reflect the upward trend in Eurodollar rates, leading to a small reduction in discounts.

This wes tha case with the Italian lira and the Belgian franc, but was also the sama for the French franc, despite a rise in Eurofranc interest rates. Week money closed at 40 per cent, and very short French rates were around 300 per cent at one time.

MONEY RATES

NEW YORK

Prime rate	16-16½
Fed funds (lunch-time)	13¾-13⅞
Treasury bills (13-week)	12.16
Treasury bills (26-week)	12.24

GERMANY

Lombard	9.00
Overnight rate	9.00
One month	9.075
Three months	9.125
Six months	9.00

FRANCE

Intervention rate	16.0
Overnight rate	16.25
One month	16.3125
Three months	16.3125
Six months	15.5625

JAPAN

Discount rate	5.5
Call (unconditional)	7.15625
Bill discount (three-month)	7.21875

LONDON MONEY RATES

June 7 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	3-13¾	16¼-13⅛	—	—	13⅝-14	13¾-13	—	—	—
2 days notice	—	—	13-13⅛	—	—	—	—	—	—	—
7 days or 7 days notice	—	13¼-13	13-13⅛	—	—	13⅝	13	—	—	—
One month	13⅛-12 13/16	13⅛-13⅛	13⅛	13⅝-13⅜	13⅛	13⅛	12¾-12	12⅞	12⅞	13⅛
Two months	13-12⅞	13-13¼	—	13⅛-13	13	13¼-13⅜	12⅜-12⅝	12⅜	12⅜	13¼
Three months	12¾-12⅝	12⅞-13⅛	12 11/16	13⅝-13	12⅞	13⅛-13⅜	12⅛-12⅜	12 7/16-12¼	12¼-12 13/16	12⅞
Six months	12 11/16-12⅝	12¾-13	12⅞	16⅛-11⅞	12⅞	—	—	—	11⅞-12 1/16	12½
Nine months	12 11/16-12 9/16	12¾-13	—	13-12⅝	12⅞	—	—	—	—	—
One year	12 9/16-12 11/16	12¾-13	12⅞	12⅞-12½	12⅞	—	—	—	—	—
Two years	—	—	13⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13½ per cent; four years 13⅝ per cent; five years 13⅝ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 9/16 per cent; four months trade bills 12⅞ per cent.

Approximate selling rates for one month Treasury bills 12⅝ per cent; two months 12 7/16 per cent; three months 12⅜ per cent. Approximate selling rate for one month bank bills 12⅝ per cent; two months 12 7/16 per cent and three months 12⅞-12⅜ per cent; one month trade bills 13¼ per cent; two months 13 per cent; three months 12⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Treasury Bills: Average tender rates of discount 12.6675 per cent.

Certificates of Tax Deposit (Series 5) 13¼ per cent from May 14. Deposits with drawn for cash 11 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
2-3 St. Paul's Churchyard, EC4. 01-248 9111

[illegible]	[illegible]	[illegible]	[illegible]	—
Property Acc.	[illegible]	280.6	[illegible]	—
Equity Acc.	[illegible]	[illegible]	[illegible]	—
Conv. Ser. 4	150.0	[illegible]	[illegible]	—
Fixed Int. Acc. Ser. 4	118.4	[illegible]	[illegible]	—
American Ser.	[illegible]	[illegible]	[illegible]	—
High Inc. Ser. 4	[illegible]	[illegible]	[illegible]	—
Indexed Inv. Series 4	[illegible]	[illegible]	[illegible]	—
Pension [illegible]	[illegible]	[illegible]	[illegible]	—
Pension Indexed Inc.	[illegible]	[illegible]	[illegible]	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	326.5	343.6	−0.7	—
Fixed Int. Acc.	197.7	208.1	+1.7	—
Gtd. Money Fd. Ac.	154.9	164.1	+0.2	—
Intl. Man. Fd. Acc.	141.2	150.7	−0.3	—
Intl. Fxd. Int. Fd.	107.2	112.8	−0.2	—
Prop. Fd. Acc.	157.0	167.3	+0.2	—
M'ple Inv. Acc.	272.6	286.8	−0.5	—
Equity Pen.Fd.Acc.	[illegible]	472.0	−1.7	—
Fixed I.Pen.Acc.	279.0	293.9	+2.6	—
G'td.Mon.Pen.Acc.	215.6	226.9	+0.5	—
Intl.Mn.PnFdAcc.	165.0	173.7	−1.1	—
Prop.Pen.Acc.	209.5	220.5	+0.7	—
M'ple Inv.Pen.Acc.	366.9	386.1	−0.8	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	197.7	208.2	—	—
Money Fd.	125.3	135.0	—	—
Equity Fd.	162.6	170.8	—	—
Fixed Int. Fd.	95.5	[illegible]	—	—
Property Fd.	153.3	[illegible]	—	—
Managed Pen. Fd.	177.5	187.0	—	—
Equity Pension Fd.	101.2	106.6	—	—
Fixed Int. Pens. Fd.	124.4	130.9	—	—
High Yield Pens. Fd.	123.4	130.2	—	—
Money Pension Fd.	112.4	118.3	—	—
Property Pension Fd.	110.6	116.9	—	—
Flexifund	122.6	129.2	—	—
AMEV/Framlington				
American & Gen. Fd.	137.2	144.4	−1.2	—
Income Fd.	140.4	147.9	—	—
Intl. Growth Fd.	149.8	157.8	−0.6	—
Capital Fund	143.2	150.9	+0.3	—

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7. 01-534 5544

Crown Life—Continued

St. George Mngd. Fd.	126.7	[illegible]	—	—
Lincs & Gen.Fd.	121.8	[illegible]	—	—
Sage Fd.	98.7	[illegible]	—	—
Heritage Fd.	98.2	[illegible]	—	—
DBS Managed	106.1	[illegible]	—	—
Crown. Brit. Inv. A.		217.1	—	—
Pens. Mixed. Fd.	148.9	[illegible]	[illegible]	—
Pens. Mang'd. Acc.	111.8	[illegible]	[illegible]	—
Pens. Mang'd. Init.	107.3	[illegible]	[illegible]	—
Pens. Equity Acc.	109.5	[illegible]	[illegible]	—
Pens. Equity Init.	[illegible]	[illegible]	[illegible]	—
Pens. Fxd. Int. Acc.	107.7	[illegible]	[illegible]	—
Pens. Fxd. Int. Init.	104.0	[illegible]	[illegible]	—
Pens. Money Acc.	108.3	[illegible]	[illegible]	—
Pens. Money Init.	104.4	[illegible]	[illegible]	—

Crusader Insurance PLC
Tower Hse., 38 Trinity Sq., EC3N 4DJ 488 2323

Growth Prop June 8	109.7	119.7	+0.4	—
Managed Pens May 12	116.61	122.94	—	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	79.3	82.2	—	6.03

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	191.1	201.2	+1.0	—
Higher Inc. Fund	122.8	129.2	+0.4	—
Property Fund	191.4	201.4	—	—
Fixed Interest Fund	144.1	151.6	+1.4	—
Index Linked Secs Fd.	93.6	98.5	+0.1	—
Gtd. Deposit Fund	134.9	142.0	—	—
Nth. America Fund	102.9	108.3	−0.7	—
Far East Fund	95.0	[illegible]	−0.5	—
International Fund	97.7	102.8	−0.6	—
Mixed Fund	168.5	177.3	+0.7	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	190.4	200.4	—	—
Ind. Pen. Property	142.9	150.4	—	—
Ind. Pen. Fixed Int.	136.0	143.2	—	—
Ind. Pen. Indx Lk. Sec.	101.4	106.7	—	—
Ind. Pen. Overseas	132.9	140.0	—	—
Ind. Pen. Cash	134.2	141.2	—	—
Ind. Pen. Balanced	152.9	160.9	—	—
Ind. Pen.Dep. Admin.	134.0	141.0	—	—

Prices at May 13. Next settlement June 30.
Group Pension Funds—Prices Available On Request.

Family Assurance Society
68, East Street, Horsham. 0403 50255

Family A. Managed	164.2	167.6	—	—
Family B. Managed	[illegible]	[illegible]	—	—
Family C. Brit.	71.1	74.9	—	—
Family D. Fixed Int.	187.0	196.2	—	—
Family Capital Mngd.	[illegible]	[illegible]	—	—
Family Brit. II	54.1	55.2	—	—

G.T. Management Ltd.
16, Finsbury Circus, London, EC2M 7DJ.
01-628 8131

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99½	96⅛	Treasury 8¼pc '82	99½xd	......	8.29	14.07
98¾	95⅝	Exch. 9¼pc 1982	98¾	......	9.37	13.33
98⅞	94⅞	Exch. 8¼pc 1983	98⅞xd	......	8.89	11.76
95	91	Exch. 3pc 1983	95	......	3.16	10.46
99½	95¾	Treasury 12pc 1983‡‡	99½	......	12.06	12.56
98	92⅞	Treasury 9¼pc '83	98	......	9.44	11.21
102	96⅞	Exch. 13½pc '83	102	......	13.24	11.98
98⅛	91⅞	Exch. 10pc 1983	98⅛xd	......	10.19	11.38
93½	87⅞	Funding 5½pc '82-84‡‡	93½	......	5.88	9.95
98⅜	91⅞	Exch. 11¼pc 1984	98⅜	......	11.44	12.28
102⅜	96¼	Exchequer 14pc 1984	102⅜	......	13.68	12.57
89½	81¼	Exch. 3pc 1984	89½xd	......	3.35	8.76
98½	91½	Treasury 12pc 1984	98½	......	12.18	12.70
104½	96¼	Treasury 15pc 1985	104½	+⅛	14.35	12.93
98⅜	89½	Exch. 12pc Cnv. '85	98⅜	......	12.20	12.67
82¾	73½	Treasury 3pc 1985	82¾	......	3.63	9.88
96⅝	87½	Treasury 11½pc 1985	96⅝	......	11.98	12.85
98⅜	88⅝	Exch. 12¼pc 1985	98⅜	......	12.45	12.82
96¼	86¼	Exch. 11¾pc '86	96¼	......	12.21	13.02
79	69	Treasury 3pc 1986	79	......	3.80	9.58
97¼	86¼	Treasury 12pc '86	97¼xd	......	12.34	12.90
90¼	80⅜	Treasury 8½pc '84-86‡‡	90¼xd	......	9.42	11.57
—	—	Treas. 12¾pc '86 (£30pd)	£97⅜	......	12.53	12.98
102¾	91⅞	Exch. 14pc 1986	102¾	+¼	13.63	13.13
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
120	75	Falcon Rh.50c	90	......	Q25c	10.3	20.7
33	20	Wankie Col. Z$1	20	......	Q5c	1.2	12.1
21	15	Zam.Cpr.SBD0.24	15	......	—	—	—

Australian

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
23	10	ACM 20c	17	......	—	—	—
7	2½	Argosy Gold N L 25c	2½	......	—	—	—
151	62	Bond Corp.	70	−2	gQ10c	2.3	9.1
82	63	Bougainville I Kina	69	−1	Q6½c	1.2	5.8
192	154	CRA 50c	172	−2	Q5c	—	1.7
36	10	Carr Boyd 20c	13½	......	—	—	—

Tins

Copper

Miscellaneous

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	20	Anglo-Dominion	23	......	—	—	—
16½	13	Burma Mines 10p	13	......	0.55	1.0	6.0
130	35	Colby Res. Corp.	55	......	—	—	—
292	190	Cons. Murch. 10c	190	......	‡Q60c	1.9	‡
8	5	‡‡Explaura Gold	5	......	—	—	—
105	65	Highwood Res.	70	......	—	—	—
255	165	Northgate C$1	190	−5	—	—	—
468	407½	R.T.Z.	412xd	+4½	16.0	2.1	5.5
£100½	£93¾	Do.9⅜%Cnv.Ln.95-2000	£95½xd	−¼	Q9½%	30.8	10.0
20	12	Sabina Inds. C$1	14	+2	—	—	—
44	27	‡Southwest C. 10p	39	+1	—	—	—
500	270	Tara Expln. $1	320	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim, reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	IRISH	Price	+ or −
Albany Inv. 20p	40	......	Conv. 9% '80/82	£97⅞	......
Bertrams	17#	......	Nat. 9¾% 84/89	£72½	......
Bdg'wtr. Est. 50p	410	......	Fin. 13% 97/02	£74⅝	......
Craig & Rose £1	£12¾	......	Alliance Gas	77	......
Finlay Pkg. 5p	28	......	Arnott	200	......
Graig Ship. £1	£26	......	Carroll (P.J.)	75xd	+2
Higsons Brew	90	......	Concrete Prods.	75	......
Holt (Jos) 25p	675	−5	Heiton (Hldgs.)	20	......
I.O.M. Stm. £1	120	......	Irish Ropes	36	......
Pearce (C. H.)	£10½	......	Jacob	70	......
Peel Hldgs.	145	......	T.M.G.	8	......
Sheff. Refrshmt	73	......	Unidare	44	......
Sindall (Wm.)	205	......			

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	8	House of Fraser	15	Utd. Drapery	7
BOC Intl.	15	I.C.I.	24	Vickers	16
B.S.R.	8½	"Imps"	8	Woolworths	5
Babcock	18	I.C.L.	5½	**Property**	
Barclays Bank	42	Ladbroke	15	Brit. Land	7½
Beecham	21	Legal & Gen.	19	Cap. Counties	10
Blue Circle	48	Lex Service	10	Land Secs.	28
Boots	19	Lloyds Bank	42	MEPC	20
Bowaters	24	"Lots"	6½	Peachey	14
Brit. Aerospace	17	London Brick	7	Samuel Props.	17
B.A.T.	36	Lucas Inds.	20	Town & City	3½
Brown (J.)	7	"Mams"	12	**Oils**	
Burton Ord.	15	Mrks. & Spncr	12	Brit. Petroleum	26
Cadburys	9	Midland Bank	38	Burmah Oil	10
Courtaulds	8	N.E.I.	9	Charterhall	6
Debenhams	7	Nat. West. Bank	38	KCA	14
Distillers	15	P & O Dfd.	14	Premier	6
Dunlop	6½	Plessey	32	Shell	30
Eagle Star	37	Racal Elect.	35	Tricentrol	22
F.N.F.C.	4	R.H.M.	6½	Ultramar	38
Gen. Accident	28	Rank Org. Ord.	20	**Mines**	
Gen. Electric	65	Reed Intl.	26	Charter Cons.	25
Glaxo	42	Sears	6	Cons. Gold	45
Grand Met.	17	T.I.	17	Lonrho	7
G.U.S. 'A'	45	Tesco	5¼	Rio T. Zinc	42
Guardian	25	Thorn EMI	42		
G.K.N.	15	Trust Houses	11		
Hawker Sidd	30	Turner & Newall	11		
		Unilever	55		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 35

هكذا من الأصل

FINANCIAL TIMES

Tuesday June 8 1982

ICL makes £13.5m pre-tax first-half loss

BY GUY DE JONQUIERES

ICL, BRITAIN'S leading computer company, yesterday reported a sharply reduced loss for the six months to March 31. The company said it expected to return to profit for the year as a whole on the strength of a further recovery in the second half.

The pre-tax loss in the first half was £13.5m, down from £33.9m for the corresponding period a year before, on turnover of £335.1m (£318.4m). The bulk of the loss, £12.9m, was due to interest charges, and the trading loss narrowed to £600,000 (£19.1m).

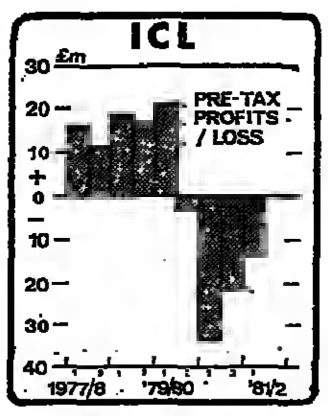
ICL also announced plans to acquire for £2.8m Computer Leasings (CLL), an affiliate which finances the hire of ICL computers. The decision reflected the company's concern that a continued deceleration in the leasing business could expose it to increased liability for deferred taxes.

Mr Christopher Laidlaw, chairman, said ICL was on course to meet all its main targets though much had still to be done to ensure a sustained recovery.

He would not give a precise profits forecast beyond saying the expected profit in the second half of this year would outweigh the first-half loss.

The expected improvement was due largely to rationalisation measures in the past 18 months. These included plant closures, shedding about 10,000 staff and an overhaul of ICL's product strategy based on collaborative agreements with international partners.

Economic conditions had not strengthened as quickly as ICL had hoped, particularly abroad, and the company was operating at a loss in several overseas markets. It was resuming recruitment of university graduates, however, and planned to hire about 300 this summer.



ICL's borrowings on March 31 stood at £132m, below the level at which it required coverage by the £200m loan guarantee issued by the Government last year. A seasonal rise, however, was expected in mid-summer.

Mr Laidlaw indicated that ICL expected to seek additional equity financing this year. That would complete the capital restructuring begun last December when the company raised £32.2m through a rights issue.

ICL holds a nominal stake of 5 per cent in CLL. It has agreed to repay also, in the next 18 months, £42m of cash advances to CLL from its other shareholders, which are leasing companies.

ICL said the repayments would be financed by revenues from leasing customers and that the writing-down of the book-value of the leased equipment would be covered by the release to its reserves of CLL's deferred tax liability.

CLL would also release to ICL its leasing repurchase provision, worth £26m. The arrangements would result in a £28m credit to ICL group reserves this year and would contribute £2m to profits in the current year.

ICL said deferred tax liabilities could be avoided only if CLL's leasing business continued to grow. Its customers, however, increasingly were choosing to buy their machines outright instead of leasing them.

THE LEX COLUMN

Lease of life for ICL

The Bank of England once again let its dealing rates in the money market edge down yesterday, but its decision to hold the sensitive Band 1 rate unchanged suggests cautious rather than enthusiastic acceptance of a lower interest rate structure.

Index rose 4.8 to 592.6

ICL

The new management is demonstrating clear evidence of its ability to turn ICL round, but it is getting no help from improved demand. The pre-tax loss has been reduced from £33.9m to £13.5m as the effects of the extensive rationalisation begin to show through. In the 18 months to March the number of employees has been cut by 10,000, implying costs savings approaching £100m. The impact will be stronger still in the current half, which is why the company is confident of at least break-even this year.

Meanwhile the new management is taking the opportunity to clean up some of its more questionable financial inheritance—in the shape of the main leasing affiliate CLL. This off-balance sheet financing has long been regarded with suspicion in the City but the decision to re-absorb CLL back into ICL has been taken for more pressing reasons. CLL has become increasingly uncompetitive in leasing terms and therefore volume of business has been falling and—that ultimate horror for all leasing companies—deferred tax has been starting to crystallise. By buying CLL in, ICL can use its painfully acquired tax losses as shelter for the liability.

In the short term the deal will increase debt by £42m, while the company still has to spend about £20m on rationalisation in the current half. So while trading cash flow continues to improve, net debt is heading up again. With the April deadline for redeeming £50m of preference shares looming, the preliminary figures are likely to be accompanied by a further call for substantial capital. The shares, down 3p yesterday at 59p, have more than doubled from their low point, but are unlikely to prove exciting till the refinancing is out of the way.

Metal Box

After a succession of embarrassing false dawns, Metal Box at last looks poised for a genuine recovery in earnings. The company was obviously taking no chances when, four days before its year end, it forecast that profits for the two half years would be broadly similar. In the event, the second six months was considerably better and the shares rose 18p to 166p yesterday on pre-tax profits for the year to March of £40.2m, a rise of 38 per cent.

But the revenue statement shows all too clearly the cost of cutting back operations in the UK, as well as Metal Box's dependence on overseas profits. Trading profits are halved by the interest bill, unrelieved ACT helps to produce a 45 per cent tax charge and the South African minority absorbs almost half of the residue. All reorganisation costs have again been bundled below the line, leaving Metal Box with a retained loss of £26.7m.

Only in central heating has the company detected an improvement in underlying UK demand, but the current weather must be doing wonders for beer can production while a change in the pricing policy of Coca Cola has pushed up capacity use on the beverage can lines. Taken together with the effects of major, if belated surgery, Metal Box should register a marked recovery in UK earnings this year. Growth overseas will probably continue at a lower rate.

The 10 per cent yield on a maintained final dividend suggests that the market is looking further ahead—to the structural problems in the UK can industry—and draws little confidence from Metal Box's recent performance. Net debt has been held to about 50 per cent of shareholders funds by a property revaluation but a cash call looks inevitable at some point.

Reed International

The last quarter of Reed International's year to March has a nasty habit of throwing up large exceptional charges—this time there is £14.4m, relating largely to Odhams and future rationalisation in wallcoverings, compared with £12.5m in the fourth quarter of last year. This holds back the full year pre-tax profits to £71.6m on the historic cost convention compared with £50.4m. Overall, 1981-82 has carried some £3m less than 1980-81 above the line, as well as benefiting from the previous year's cutbacks and the absence of £12m of strike costs. The lower pound has boosted overseas earnings on translation by some £5m.

Still, Reed seems to be making good underlying progress with its problem businesses, with considerable loss elimination in UK paper and decorative products. The picture is somewhat spoilt by a £10m drop in the newspapers' trading profits — the result of higher newsprint costs, pressure on the cover price, and bingo prize money — but the core publishing business is performing strongly.

On a current cost basis the dividend is still only half covered after exceptional items, but Reed has increased it by 1p to 14p net, which in gross terms takes it just back to the level of 1976-77. At 322p, down 2p yesterday, the yield is 6.4 per cent and the prospective p/e on a full tax charge roughly eight times.

BSC may close main site as orders fall

By Ian Rodger

British Steel Corporation is considering closing one of its five main production sites because of weak markets and a sharp fall in orders.

A decision is expected within two months. If a site is closed, it would mark the failure of the "slimline" corporate plan undertaken after Mr Ian MacGregor became chairman two years ago.

Under the plan, manpower was cut substantially but the five bulk steelmaking sites at Port Talbot and Llanwern in Wales, Scunthorpe and Teesside in England and Ravenscraig in Scotland were kept running in the hope that demand would improve

There was a surge of orders then in advance of price increases, but since March the corporation's orders have fallen by about a third.

Even before the drop in orders, the five works were running more than a quarter below capacity.

BSC officials are unsure why demand has fallen so much but they say other major European producers are experiencing a similar downturn.

A sharp increase in UK imports early this year indicates that some countries outside the EEC are taking advantage of EEC price increases to sell into the community. BSC is hoping the European Commission will tighten up its voluntary restraint agreements with them.

EEC Industry Ministers meet today in Luxembourg to consider the renewal of support measures for the steel industry.

Next week, the Government is expected to publish BSC's financial plan for the current year.

NUR willing to end unity on pay

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE FRAGILE unity between British Rail's two manual unions was strained further yesterday when Mr Sid Weighell, general secretary of the National Union of Railwaymen, said he would make a pay deal with BR separate from the Associated Society of Locomotive Engineers and Firemen, the train drivers' union.

BR has moved to isolate drivers by suspending the closure of threatened railway workshops — reprieving 6,000 jobs, mainly belonging to NUR members—and by offering the NUR a special 50p a shift payment for agreeing to the crucial productivity issue of more flexible work rostering.

The re-emergence of the traditional divisions between the NUR and Aslef has taken concrete form in the abandonment of proposals for a meeting between all three rail unions which was provisionally set for tomorrow. This had been called to draw up a reply to the BR board's pay offer of 5 per cent from September.

However, BR has now agreed to a further round of negotiations with the unions next Wednesday. The unions will press both for an increase in the offer and for the lifting of the strict productivity conditions BR has attached to it.

BR has told the unions that if it has not secured agreement from them by July 30 on six outstanding productivity initiatives—including both flexible rostering and the manning of trains without guards — the offer will be withdrawn.

Aslef is resolute in its opposition to flexible rostering. The NUR's opposition to the removal of train guards has halted the introduction of new trains on the recently electrified Bedford-St Pancras line, but Mr Weighell insisted that the NUR had put before BR concrete proposals on how single manning without guards could be implemented.

Mr Weighell said that, if BR made a satisfactory offer on pay, hours and holidays to his members, he would settle separately from Aslef.

Speaking as he arrived for a meeting between BR and the unions convened by Mr Albert Booth, Labour's transport spokesman, Mr Weighell said: "I will make a settlement any day individually. If BR made a suitable offer to me then I would settle tomorrow."

After the meeting there were few hopes that the intervention of Mr Booth had done anything to improve relations either between BR and its unions or between the unions themselves. Mr Weighell in particular left the meeting in an angry mood, and others who attended doubted the value of the exercise.

Hazel Duffy, Transport Correspondent writes: An alternative policy to the closures of railway workshops put forward by British Rail Engineering Ltd is expected to be discussed today at a meeting between the unions concerned and senior BR management.

Hopes that BREL would win a part at least of a large Nigerian order for rail wagons, which would have provided work for the works at Shildon, County Durham, that had been due to close under the original proposal, appear to have been dashed following the formal opening of the initial tenders in Nigeria at the weekend.

The BREL tender price of £36m was the third highest of 12. The lowest was a Spanish company with a bid of only £19.9m.

BREL emphasised yesterday, however, that the Nigerian authorities were not committed to the lowest tender. BREL has told the Nigerians it could reduce its tender by £3m if the package was to include wagons exported in kit form for final assembly in Nigeria.

BR presses case for private sector funds

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITISH RAIL expects to hear within the next couple of months whether the Treasury will allow it to raise private sector finance to help fund a new railway service between Victoria Station and Gatwick Airport.

Construction work has already started at Victoria on a £30m project to separate the service from other railway routes, but BR will have problems persuading the Treasury that private sector finance should be used.

This is one of several schemes that have emerged in the past few months for giving nationalised industries access to private finance. The only one to be given provisional Treasury approval so far is a British Telecom bond of up to £150m. However, this is now being held up while the Government examines plans for wider privatisation of BT.

Other schemes include a bond of £50m to £100m which the British Airports Authority hopes will be approved later this year. The authority is also developing plans for expanding private sector joint ventures on hotels and cargo facilities.

BR is preparing plans for using private sector capital on a general electrification project, and the Past Office is considering whether such finance could help it fund the peak of its capital expenditure on automation, in two or three years' time.

The electricity industry is studying possible private sector funding for combined heat and power schemes and the Ministry of Transport is interested in its potential for road schemes.

These developments were reported yesterday to a meeting of the National Economic Development Council at which the Treasury stressed the major problems involved.

The Treasury has blocked most such proposals in the past year or so. Industries have not been able to produce plans which separate the schemes from the rest of their businesses. Nor have their schemes shown sufficient commercial potential to make it worth attracting finance from the private sector at higher rates of interest than would be available from the Government's own funds.

Some of the heat has gone out of the debate because many of the industries are not now as short of investment funds as they were a year or two ago.

BR, however, is particularly short of investment capital. It is trying to persuade the Treasury that the new facilities it is developing at Victoria, plus new rolling stock which it could purchase with private finance, would produce a "dedicated," profitable aervice separate from the rest of its operations.

Funding pitfalls, Page 10

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Mozart

that the effect in this case may be slightly bizarre.

The PortaSound MP-1 is the third generation of a family of electronic keyboards which Yamaha introduced in 1980 and which seem to be sweeping the Japanese home market besides doing formidably well overseas. The original PC-1 model, costing a modest Y36,000 (£82) and selling at the rate of 60,000 units a month, looks like a miniature piano keyboard but can produce melodies in eight different voices (such as violin, clarinet, guitar, trumpet or vibraphone).

Its successor, the PC-100, boasts the same sound capabilities but can be played by the simple process of passing a card with a magnetic strip pasted on it through a slot in the machine. The cards cost Y1,200 for a set of six pieces and Yamaha expects to have about 200 titles available by the end of July.

Once the PC-100 has learned a piece of music from a card it can either play back both the melody and the accompaniment together or the accompaniment only at whatever speed the performer chooses to play the melody with his own fingers.

Since the announcement of the PC-100 in April Yamaha has taken a mere two months to come up with the music-writing MP-1, which will retail at Y98,000 when it comes on to the market in July.

The company apparently has more tricks up its sleeve. A fourth generation PortaSound, equipped with capabilities that are at present a closely guarded secret, will reach the Japanese domestic market in the autumn and may start to be sold overseas a few months later.

Quarterly trade surplus down

BY MAX WILKINSON

BRITAIN'S current account surplus on the balance of trade fell to £553m in the first quarter of this year from £1.36bn in the last three months of 1981.

According to official figures out yesterday, this development reflected partly a fall in the surplus on visible trade from £482m to £224m bewteen the two quarters.

The deficit on non-oil trade rose by over £200m to £428m between the two quarters.

The figures are, however, subject to numerous uncertainties, because of changes in the way statistics are collected, different methods of applying corrections to them, and because the pattern of exports appears to have been fluctuating sharply.

In the past three months of last year, the figures suggest there *was a substantial growth* in exports with an increase in volume of 8 per cent compared with the performance at the start of 1981 and a 5 per cent improvement on the average volume of exports in 1979.

However, in the first three months of this year, exports appear to have dropped back to about the same level (by volume) as in 1979.

There have also been puzzling variations in the pattern of exports so far this year. The volume of exports is shown to have fallen sharply in January, perhaps as a result of the exceptionally severe weather, but to have *recovered* since then to almost a record level in March.

The pattern of imports appears less puzzling, with a surge in the autumn associated with a period in which the rundown of stocks was decelerating. If oil is excluded, the level of imports has remained high, about 6 per cent more in March than the average volume for 1979, but still a little below the peak of last autumn.

In spite of these uncertainties, the continuing balance of payments surplus was welcomed yesterday by Lord Cockfield, the Trade Secretary.

BALANCE OF PAYMENTS

Current account

£m seasonally adjusted

		Visible trade	Invisibles*	Current balance
1981	1st qtr.	+1,676	+ 894	+2,570
	2nd	n.a.	+1,065	n.a.
	3rd	n.a.	+ 637	n.a.
	4th	+ 482	+ 875	+1,357
1982	1st	+ 224	+ 329	+ 553
	Jan.	− 152	+ 110*	− 42
	Feb.	+ 154	+ 110*	+ 264
	Mar.	+ 222	+ 109*	+ 331

* *Invisibles are projections subject to revision.*

Continued from Page 1

Interest rates

rates were ⅛ of a point firmer at 14⅛ per cent, supporting an already-strong dollar which benefited from nervousness in the foreign exchange markets over the Lebanon crisis.

In London the dollar was sharply up against all the major continental currencies, and its Bank of England trade-weighted average against a basket of currencies improved from 115.2 on Friday to 115.9.

The dollar gained 40 points against the pound from Friday's London close to $1.7920, but the pound remained relatively firm against other currencies and its Bank of England trade-weighted index moved up from 90.6 on Friday to 90.9.

Terry Dodsworth in Paris adds: A quieter day for the French franc on the Paris foreign exchange market yesterday failed to dampen recent speculation about a forthcoming devaluation of the currency within the European Monetary System.

President Mitterrand's decision to give a Press conference on economic issues tomorrow has also led to widespread reports that he may be ready to tighten up on France's economic management in preparation for a currency readjustment.

Continued from Page 1

Reagan

between Mrs Thatcher and President Reagan will be liimted during the visit. However, Mr Francis Pym, the Foreign Secretary, will have a long discussion today with Mr Haig.

Mrs Thatcher is due to present a major statement to the Commons this afternoon when it returns from the Whitsun recess. Her report will focus on the outcome of the Versailles summit, covering world economic issues, the Falklands crisis and the Middle East conflict.

Weather

UK TODAY

DRY with sunny periods after some fog patches.

England, Wales and most of Scotland
Dry with sunny periods but some fog patches. Max 23C (73F).

NW Scotland and N Ireland
Cloudy, sunny intervals, occasional showers. Max 19C (66F).

Outlook: Dry, sunny intervals, some showers in the west.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	L. Ang.†		—	—
Algiers	S	27	81	Luxmbg.	T	23	73
Amsdm.	C	25	77	Luxor		—	—
Athens	S	25	77	Madrid	S	28	82
Bahrain	S	35	95	Majorca	S	25	77
Barclna.	S	24	75	Malaga	S	24	75
Beirut	S	24	75	Malta	C	23	73
Belfast	F	19	66	M'chstr.	S	19	66
Belgrd.	S	28	82	Melbne.	F	13	55
Berlin	F	20	68	Mx. C.†		—	—
Biarritz	C	19	66	Miami†		—	—
Bmghm.	F	21	70	Milan	S	28	82
Blackpl.	S	17	63	Montrl.†		—	—
Bordx.	F	23	73	Moscow	R	8	46
Boulgn.	S	19	66	Munich	T	16	61
Bristol	S	21	70	Nairobi		—	—
Brussels	S	25	77	Naples	F	26	79
Budpst.	R	24	75	Nassau		—	—
Cairo	S	29	84	Nwcstl.	S	21	70
Cardiff	S	20	68	N York†		—	—
Cas'b'ca	F	21	70	Nice	S	23	73
Cape T.	S	18	64	Nicosia	S	26	79
Chicg.†		—	—	Oporto	S	20	68
Cologne	T	26	79	Oslo	S	19	66
Copngn.	F	16	61	Paris	F	26	79
Corfu	S	27	81	Perth	F	21	70
Denver†		—	—	Prague	F	25	77
Dublin	F	18	64	Rykjvk.	F	15	59
Dbrvnk.	S	25	77	Rhodes	S	24	75
Ednbgh.	F	21	70	Rio J'o†		—	—
Faro	S	25	77	Rome	S	26	79
Florence	F	27	81	Salzbrg.	R	15	59
Frankft.	C	22	72	S'cisco†		—	—
Funchal	C	19	66	S. Mritz.		—	—
Geneva	F	25	77	Singapr.	C	32	90
G'bltr.	S	24	75	S'tiago†		—	—
Gl'sg'w	F	19	66	Stckhm.	F	16	61
G'nsey	C	15	59	Strasbg.	F	28	82
Helsnki	F	12	54	Sydney	S	16	61
H. Kong	C	26	79	Tangier	S	26	79
				Tel Aviv	S	24	75
				Tenerife	S	26	79
				Tokyo	C	23	73
Istanbul	S	22	72	T'r'nto†		—	—
Jersey	C	16	61	Tunis	F	26	79
Jo'burg	S	12	54	Valencia	F	25	77
L. Pims.	S	24	75	Venice	F	27	81
Lisbon	S	22	72	Vienna	S	26	79
Locarno	S	26	79	Warsaw	F	17	63
London	C	24	75	Zurich	F	23	73

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.